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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Report of the Office of Internal Oversight Services

Note by the Secretary-General*

1. In conformity with paragraph 5 (e) (ii) of General Assembly resolution 48/218 B of 29 July 1994 and resolution 54/244 of 23 December 1999, the Secretary-General transmits herewith to the Assembly as submitted the seventh annual report of the Office of Internal Oversight Services, covering activities for the period from 1 July 2000 to 30 June 2001.

2. The Secretary-General takes note of the oversight activities and accomplishments presented in the annual report of the Office of Internal Oversight Services. The continuing efforts of the Office to improve its relationships with management and with all members of the governing bodies, and to coordinate its programme with other oversight bodies, including the Board of External Auditors and the Joint Inspection Unit, are also noted with appreciation.

* Due to the fact that the reporting period of this report is 1 July 2000-30 June 2001, it was not possible to meet the 3 July 2001 deadline for submission.

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Report of the Office of Internal Oversight Services

for the period from 1 July 2000 to 30 June 2001

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Preface
by the Under-Secretary-General for Internal Oversight Services

I have the honour to present to the General Assembly my second report on the activities of the Office of Internal Oversight Services (OIOS), covering the period from 1 July 2000 to 30 June 2001. The Millennium Summit in New York last September set clear targets for the Organization in the twenty-first century. Member States called for improving the effectiveness of the United Nations, making it more responsive to their needs, and urged the Secretariat to make the best use of resources in accordance with the rules and procedures agreed upon by the General Assembly. The present report describes the major accomplishments of OIOS towards that end, showing its commitment to assist management in reaching its goals.

OIOS has maximized its impact on the Organization by carrying out balanced and objective oversight activities that foster a partnership with Member States and managers at all levels in reaching our common goals. Audits, inspections and investigations addressed administrative bottlenecks such as management inefficiency, poor deployment of staff and the improper use of resources. The areas covered were in finance, payroll, personnel, programme management, administration and procurement. Evaluations undertook broader assessments of the relevance, efficiency, effectiveness and impact of outputs and activities against programme objectives, as mandated by the Committee for Programme and Coordination.

Since its establishment in 1994, OIOS has pursued the following priority areas for oversight activities: peacekeeping, humanitarian and related activities, human resources management, procurement and problems associated with establishing new bodies. These high-risk areas will continue to be given priority. To ensure adequate oversight coverage, OIOS has posted resident auditors to most major peacekeeping missions. Resident investigators are also serving at peacekeeping missions in East Timor and Kosovo. OIOS investigations have served as an effective deterrent to fraud, waste and abuse of authority throughout the Organization by holding responsible those individuals who violate United Nations regulations and rules and national laws, while clearing those against whom unsupported allegations are made.

Highlights of the achievements of OIOS during the reporting period include the following:

- OIOS led a multinational task force to investigate allegations that refugees in and around Nairobi were asked to pay bribes to obtain registration and resettlement documents from the Nairobi branch office of the Office of the United Nations High Commissioner for Refugees (UNHCR). The investigation resulted in the arrest of nine individuals by the Kenyan authorities (paras. 41-44 of the report);

- An OIOS review of mission subsistence allowance rates paid to United Nations staff and other personnel at a number of peacekeeping missions concluded that allowances paid were excessive. The rates at the United Nations Mission in Ethiopia and Eritrea and the United Nations Observer Mission in Georgia were consequently reduced, resulting in projected savings of approximately US$ 3.6 million per year. The Office has recommended reductions at other missions, aimed at saving an estimated $45 million annually (paras. 88-89);

- OIOS carried out an inspection of the Office for Drug Control and Crime Prevention, concluding that poor management had affected the fulfilment of its mandate and the implementation of projects. The Executive Director accepted all recommendations and has provided a time frame for their implementation. In addition, it reviewed the follow-up to its 1998 in-depth evaluation of the finding of the United Nations International Drug Control Programme that, overall, the implementation of the recommendations did not address the underlying problems identified in the evaluation. OIOS will follow up on all aspects of implementation (paras. 139-141, 142-146, 144-148).

- OIOS identified potential savings and recoveries of $1.7 million at the UNHCR emergency operation in Kosovo, as a result of audits of the organizations partnering with UNHCR to implement projects. The Office found that the partner organizations failed to disclose exchange rate gains made with UNHCR project funds and

did not comply with procurement procedures. UNHCR has so far recovered a total of $1.24 million of the identified amount (paras. 25-26);

- Resident OIOS investigators conducted an inquiry into an allegation of corruption at the United Nations Interim Administration Mission in Kosovo (UNMIK), uncovering evidence that a UNMIK staff member had, on two occasions, embezzled Kosovo consolidated funds. The staff member has been summarily dismissed and criminal charges are pending (para. 81);

- OIOS reviewed policies and procedures for the recruitment of international civilian staff for peacekeeping and other special missions. The audit recommended improving the existing recruitment practices to enhance transparency and to meet the staffing needs of field missions more effectively (paras. 90-91).

OIOS issued a total of 2,105 recommendations during the reporting period. Of these, 53 per cent have already been implemented. Some 27 per cent of all recommendations issued by OIOS during the period were classified as critical to the Organization, calling for improvements to productivity, savings and recoveries, and accountability for fraud, waste and abuse, among other things. For the first time, OIOS is highlighting such critical recommendations that have far-reaching consequences for the Organization in order to ensure their follow-up and implementation. Section II of the annual report contains the Office's overall assessments of clients' implementation of critical recommendations.

When I joined the United Nations as head of OIOS just over a year ago, I embarked upon a strategic planning exercise to improve the coordination and implementation of its programme activities as mandated in the medium-term plan. My goal is to leverage available resources optimally to accomplish results that add value to the service that OIOS provides to the Organization and the Member States.

The strategic planning exercise has resulted in the following immediate improvements: a consolidated annual work programme; a schedule of joint assignments with the Board of Auditors and the Joint Inspection Unit; client profiles with assessments of individual client departments and their implementation of our recommendations; revamped semi-annual report to the Secretary-General and annual report to the General Assembly; establishment of key indicators of achievement for oversight; and the creation of an International Trust Fund to support our continuing efforts to enhance the professional capacities in internal oversight.

The annual report and the semi-annual report include, for the first time, qualitative assessments of each client's implementation of critical recommendations. The assessments will also be placed in our client profile database for easy reference and follow-up. In the near future, OIOS intends to use an online facility allowing ongoing updates by clients and real-time monitoring of their follow-up to our recommendations. Among other steps taken to in crease our client-orientation, we have overhauled our Internet web site and launched *OIOS News* on the OIOS Intranet web page to share our success stories and increase institutional awareness of the role of oversight within the Organization. In August 2000, OIOS also undertook a survey of client departments and offices to gauge their opinion of our services. The results, I am pleased to say, were very encouraging.

A recent meeting of representatives of Internal Audit Services of United Nations Organizations and Multilateral Financial Institutions hosted by OIOS in Bangkok has further confirmed the need to strengthen partnerships among oversight bodies to coordinate oversight of new multi-agency approaches to development and world problems, such as HIV/AIDS. With this in mind, the Office has recently established a dedicated section within the Internal Audit Division for the Office of the Iraq Programme to ensure close coordination and, in some cases, jointly perform audit coverage of activities undertaken by nine United Nations agencies in Iraq.

To leverage the Office's limited oversight resources towards our goals, I have proposed a new organizational structure merging the monitoring, inspection, evaluation and management consulting components of OIOS. This would allow for a more integrated gathering of qualitative data, facilitating the preparation of reports, particularly programme performance reports that provide both qualitative and

quantitative aspects as requested by the intergovernmental bodies. I have also proposed strengthening the investigations subprogramme to cope with the increasing number of cases received as well as establishing an OIOS office in Geneva to deliver more responsive and coordinated oversight services.

Key to the success of the plans I have for OIOS is my ability to attract, retain and motivate highly qualified staff. We face competition from both the private sector and other international organizations. Despite the independence we enjoy in OIOS, the need to conform to general United Nations personnel management policies makes it an enormous challenge to attract and retain top talent. My Directors and I have made it our priority in the coming year to focus on managing our staff, training and motivating them to ensure that each person develops to his or her highest potential. With the support of our intergovernmental bodies and the administration, I am confident we will succeed.

(*Signed*) Dileep **Nair**
Under-Secretary-General
for Internal Oversight Services

New York, 13 September 2001

I
Introduction

A. Mandate

(legislation and administrative issuances)

1. The General Assembly, in its resolution 48/218 B of 29 July 1994, established the Office of Internal Oversight Services (OIOS) to enhance oversight functions within the United Nations, in view of the increased importance, cost and complexity of the activities of the Organization. Enhanced oversight was to be achieved through intensified evaluation, audit, inspection, investigation and compliance monitoring. The Assembly stressed the proactive and advisory role of the new Office and expected it to provide assistance and methodological support to programme managers in the effective discharge of their responsibilities.

2. In 1999, the General Assembly reviewed the implementation of resolution 48/218 B and adopted resolution 54/244 of 23 December, setting out a number of provisions on OIOS concerning reporting, functions, coordination, funds and programmes, investigations and operational independence. Subject to those provisions, the Assembly reaffirmed resolution 48/218 B.

3. The Office exercises operational independence under the authority of the Secretary-General, as laid down in Secretary-General's bulletin ST/SGB/273, in conducting its duties and has the authority to initiate, carry out and report on any action it considers necessary to fulfil its oversight responsibilities. Additional administrative issuances (ST/AI/397, ST/IC/1996/29 and ST/SGB/1998/2) elaborate on the role of OIOS.

4. Following the expiration of the term of the first Under-Secretary-General, the General Assembly approved the appointment of Dileep Nair as the second Under-Secretary-General for Internal Oversight Services. He took office on 24 April 2000.

B. Budget and staffing resources

5. In keeping with the need for the operational independence of the Office and under a separate delegation of authority from the Secretary-General (ST/AI/401), the Under-Secretary-General for Internal Oversight Services exercises the degree of latitude and control over OIOS personnel and resources, consistent with the United Nations regulations and rules. A separate Appointment and Promotion Panel, independent of the Secretariat appointment and promotion bodies, advises the Under-Secretary-General on personnel matters. During the reporting period, the Panel considered 17 appointment, promotion and placement cases.

6. At present, the staffing level of the Office consists of a total of 165 posts; 125 are Professionals and 40 of which are General Service. Seventy-four of the posts are funded from extrabudgetary resources, including 33 resident auditor and investigator posts from individual peacekeeping missions. For the 2000-2001 biennium, the Office's resources total US$ 28.6 million, of which $10 million is funded from extrabudgetary resources.

C. Overview of recommendations

7. As mandated by the General Assembly, OIOS reports to the Secretary-General every six months on the implementation status of its recommendations. While a separate semi-annual report was prepared for the six-month period 1 July-31 December 2000, the period from 1 January to 30 June 2001 is covered in the current report.

8. OIOS has modified its reporting format to include qualitative assessments of clients' implementation of recommendations defined as critical. Section II of the present report contains the Office's overall assessment for each client. For certain clients, OIOS did not issue critical recommendations during the period and therefore has not provided an assessment. OIOS classifies a recommendation as critical when it meets one or more of the following criteria:

- Calls for changes to United Nations rules and regulations and policies;
- Calls for substantive changes to organizational structure and/or reporting relationships;
- Results in measurable improvements to process and workflow, productivity, effectiveness and managerial controls;

- Corrects systemic control deficiencies in high-risk areas;
- Holds managers, staff and vendors accountable for fraud, waste and abuse or clears individuals of allegations;
- Results in savings, recoveries or the prevention of unjustified expenditures of $25,000 or more;
- Is of topical importance;
- Requires the concurrence of governing bodies;
- Results in discontinuing cooperation with an executing/implementing partner or disqualification/blacklisting of a vendor;
- Requires action by a Government in its capacity as host Government, donor, etc. (e.g., tax privileges).

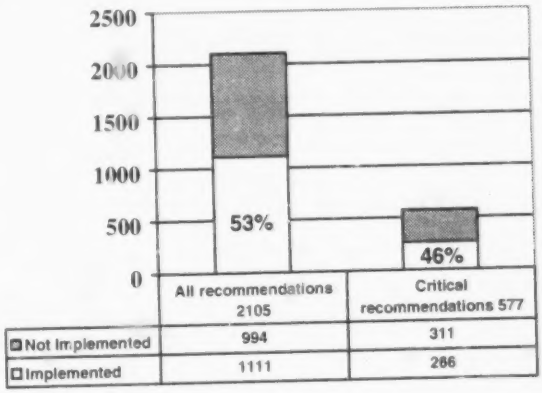
9. Highlighting critical recommendations is intended to assist managers and clients in following up on recommendations. OIOS has also established a client profile database that integrates all information about clients and provides assessments of their efforts to implement oversight recommendations. In the near future, OIOS intends to use a secure online facility on the Intranet to enable its clients to update the implementation of recommendations on an ongoing basis and facilitate its monitoring of their implementation status. Such monitoring is central to measuring improvements and determining the impact of OIOS on the Organization. Monitoring also provides important information for planning future oversight activities.

10. The figures presented below illustrate the overall impact of OIOS on the work of the Organization. During the past year, the Office's oversight activities resulted in recommendations related to strengthening internal controls and improving management performance, and identified some $58 million in potential cost savings and recoveries. The number of recommendations is significantly higher than that reported in previous years. This is attributable to the decision to include, for the first time, recommendations issued through observations made at the operating level in the field in order to reflect the widening global coverage of OIOS.

1. Recommendations issued and implemented (1 July 2000-30 June 2001)

11. During the reporting period, OIOS issued a total of 2,105 recommendations, of which 577 (27 per cent) were classified as critical. As shown in figure 1, the overall implementation rate for all recommendations is 53 per cent, as compared with an implementation rate of approximately 50 per cent during the prior reporting period. The implementation rate for critical recommendations was 46 per cent. The lower rate for critical recommendations reflects their more complex nature and longer time needed for implementation. OIOS will continue to provide information on the implementation rate for critical recommendations in future annual reports.

Figure 1
Recommendations issued and implemented

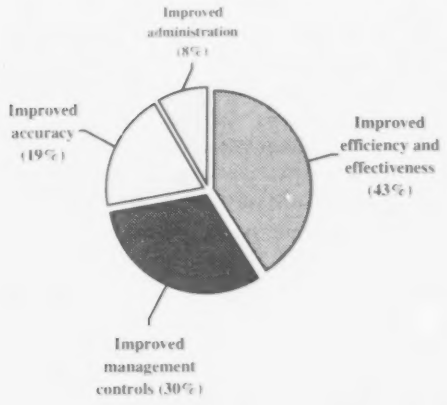


Note: The total number of recommendations as shown above includes 1,209 recommendations (136 critical) issued via field communications, which were not included in previous annual reports.

2. Impact of critical recommen dations

12. OIOS is for the first time reporting on its critical recommendations, addressing areas which have the most far-reaching consequences for the Organization's performance. As seen in figure 2, of the recommendations issued during the current reporting period, 43 per cent were meant to improve operational efficiency and effectiveness, 30 per cent to improve management controls, 19 per cent to improve accuracy and reliability of reports, while the remaining 8 per cent related to administrative improvements.

Figure 2
Impact of critical recommendations



Note: As it was not possible to provide a meaningful breakdown of the impact and focus of critical recommendations stemming from evaluations and investigations, the above reflects the impact of 483 critical audit and inspection recommendations issued during the reporting period.

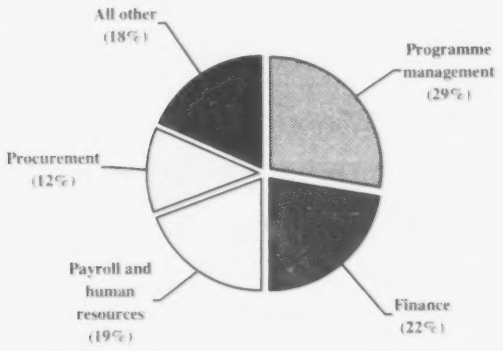
3. Focus of critical recommendations

13. Critical recommendations were issued in the following operational areas, as indicated in figure 3: programme management, which received 29 per cent of critical recommendations; finance, 22 per cent; payroll/personnel, 19 per cent; and procurement, 12 per cent. The remaining 18 per cent of critical recommendations (labelled "All other") related to cash management, travel and transport, property management and IT systems. The breakdown of critical recommendations demonstrates the broad and multifaceted nature of the oversight work and recommendations of the Office in its endeavour to promote greater accountability, efficiency and quality management at the United Nations.

4. Classification of critical recommendations

14. OIOS has used the criteria set out in paragraph 8 to determine whether a recommendation is critical, i.e., having far-reaching implications for the Organization. Figure 4 below shows the distribution of all critical recommendations based on these criteria. Over a quarter of the critical recommendations met the criteria

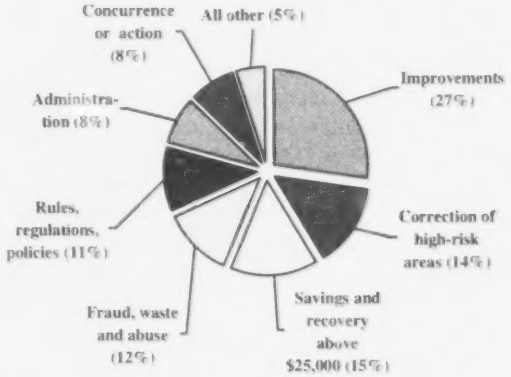
Figure 3
Focus of critical recommendations



Note: See note to Figure 2 above.

for resulting in better productivity, workflow and programme effectiveness in the Organization. Fourteen per cent corrected high-risk systemic deficiencies and another 15 per cent identified savings and recoveries of $25,000 or more and were therefore defined as critical. Critical recommendations relating to accountability and fraud accounted for 12 per cent; changes to rules and regulations, 11 per cent; changes to the organizational structure and reporting relationship, 8 per cent; and those needing the concurrence of governing bodies or

Figure 4
Classification of critical recommendations

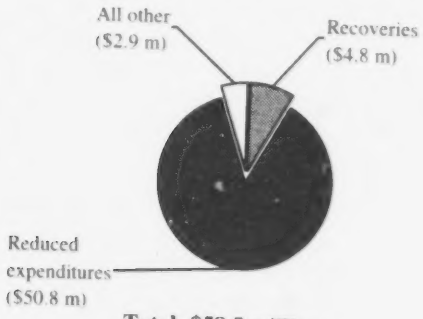


government action accounted for 8 per cent of all critical recommendations. Five per cent of critical recommendations (labelled "All other") relate to the remaining criteria: having topical importance, disqualifying an executing/implementing partner or vendor, and requiring action by a Government (as host Government, donor etc.). In its continuing efforts to enhance the relevance of its reports to clients, OIOS will review and improve the criteria to meet the changing needs and priorities of the Organization.

5. Recommended savings and recoveries

15. OIOS recommended savings and recoveries of approximately $58 million resulting from audits, inspections and investigations carried out during the reporting period, which is substantially higher than the $17 million reported during the prior period. As shown in figure 5, OIOS recommended a total of $50.8 million in reduced expenditures. In addition, a total of $4.8 million was recommended for recovery and $2.9 million (labelled "All other") was identified as either additional income to the Organization or loss/waste of resources. Particularly noteworthy is an audit which recommended adjustments to the mission subsistence allowance rates in various peacekeeping missions amounting to some $45 million annually. The data in figure 5 suggest that good financial management practices and controls can potentially yield large dividends in reduced expenditures and recoveries for the Organization, which is borne out in findings of many OIOS audits.

Figure 5
Recommended savings/recoveries

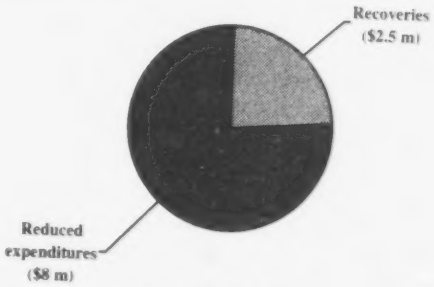


Total: $58.5 million

6. Actual savings and recoveries

16. For the period from 1 July 2000 to 30 June 2001, as shown in figure 6 below, as a result of its implementing OIOS recommendations issued during the current and prior reporting periods, the Organization had reduced expenditures amounting to $8 million and recovered a total of $2.5 million. This is shown in Figure 6 below. The process of recovery is ongoing, often extending over several years. The actual reduction of expenditures and recoveries depends upon the concerted and sustained effort of programme managers. OIOS will highlight this important aspect of management responsibility through its oversight work and partnership with clients.

Figure 6
Actual savings/recoveries



Total: $10.5 million

II
Oversight results and assessments

A. Priority oversight issues

17. For the past six years, OIOS has pursued several priority areas for oversight activities, including peacekeeping, humanitarian and related activities, human resources management, procurement and problems associated with establishing new bodies and procurement. These issues will continue to be subject to OIOS oversight coverage in the future. In addition, in response to Member States' request that OIOS make more visible its impact on the Organization, OIOS will provide more detailed information on the management functions affected by oversight activities and the recommended improvements.

18. The priorities of the annual work programme of OIOS, the biennial budget proposal and the medium-term plan depend largely upon requests made by the General Assembly, the Secretary-General, the OIOS client departments, offices, funds and programmes, and the results of the OIOS strategic planning process. Each year, all OIOS clients have the opportunity to convey to the Office their views and special requests for oversight activities. OIOS takes all requests into consideration and formulates its work plan based on available resources.

19. As recommended by the Committee for Programme and Coordination at its forty-first session,[1] OIOS will discuss the coordination of its work programme during the annual tripartite meeting with the Joint Inspection Unit and the Board of Auditors in order to reach agreement with the external oversight bodies on joint meetings and assignments, according to the recommendations of Member States.

B. Human rights and humanitarian affairs

1. Office of the United Nations High Commissioner for Refugees

(a) Overall assessment

20. During the reporting period, OIOS addressed 662 recommendations contained in audit observations to the Office of the United Nations High Commissioner for Refugees (UNHCR) managers in the field, while 230 recommendations were made to UNHCR headquarters in audit reports. A total of 124 (or 14 per cent) of the recommendations was classified as critical. Of the critical recommendations, more than 50 per cent called for improvements in processes, controls and systems and about 40 per cent identified potential savings and recoveries totalling $4.5 million, of which over $2 million has been actually recovered or accepted as savings/cost reductions.

21. Approximately 44 per cent of the critical recommendations have been implemented by UNHCR, and another 24 per cent were in the process of being implemented. Detailed replies to OIOS have not been received for the remaining 32 per cent of the critical recommendations. However, since many of these recommendations require policy changes, which take time to be instituted organization-wide, the implementation rate does not fully reflect the efforts already under way.

(b) Audit coverage

22. OIOS provides internal audit services to UNHCR, mostly field-based, through its UNHCR Audit Service in Geneva. Audit recommendations, including critical recommendations, are initially communicated directly to managers in the field. Recommendations involving suggested changes in rules, policies and procedures, as well as those that are not satisfactorily addressed by field managers are directed to management at UNHCR headquarters.

23. OIOS audited UNHCR operations in 30 countries in Africa, Asia and the Pacific, and Europe. In Geneva, OIOS audited UNHCR's partnership with international non-governmental organizations, private sector fund-raising and earmarked contributions. The payroll system, a new asset tracking system (AssetTrak), and project personnel were also subjects of audits. In total, audits by the Office covered operations and activities amounting to $410 million, or over 50 per cent of total UNHCR expenditures ($801 million) for 2000. The Office issued 96 audit observations and 30 audit reports to senior management.

UNHCR emergency operations

24. OIOS audited emergency operations with expenditures totalling $165 million. As significant disbursements were made through the UNHCR implementing partners (such as national and international NGOs which implement projects on behalf of UNHCR), OIOS considered this to be a priority audit area along with UNHCR programme monitoring and management. These audits assessed the compliance of implementing partners with project agreements, reporting, monitoring and evaluations of projects. OIOS also reviewed the administration of UNHCR offices to determine whether procedures and controls were functioning effectively. OIOS assigned resident auditors to the emergency operations in Kosovo and East Timor to help identify and resolve problems quickly and to advise and assist management.

25. UNHCR agreed with audit recommendations issued in relation to the audit performed by the Office in **Kosovo** and is taking corrective action. OIOS had found that implementing partners had failed to properly disclose almost $400,000 of exchange rate gains made with UNHCR project funds. In addition, partners often did not comply with procurement procedures, resulting in estimated losses of $340,000. UNHCR has so far recovered exchange gains of $60,000 and established a new policy concerning procurement authority delegated to implementing partners.

26. OIOS also determined that one partner had rented warehouse space at rates more than twice those previously negotiated by UNHCR and made rental payments of $350,000 to a person not associated with the contract. UNHCR rejected the partner's request for reimbursement. A demining contract valued at $500,000 had been awarded without competitive bidding and, due to poor controls, one partner was unable to properly account for UNHCR assets with an estimated acquisition value of $1 million. Without UNHCR approval, several partners had charged rental and depreciation costs totalling $500,000 for the use of their vehicles in projects. Some $350,000 has been recovered and a follow-up exercise has been conducted to retrieve UNHCR assets. An OIOS follow-up review found that previous recommendations concerning financial and administrative management had been implemented.

27. A follow-up audit of the emergency operation in **Albania** showed that UNHCR had made significant progress in addressing problems identified during a 1999 audit. Procurement procedures had improved and assets valued at an estimated $8.7 million, which had not been accounted for during the 1999 audit, had been identified. Controls over commodities and stock movements had also been strengthened. Value-added taxes totalling $70,000 had been refunded. However, OIOS found that further efforts were needed to address various systemic problems. For example, key positions have to be adequately staffed to ensure continuity of operations and proper internal control. Asset-tracking still needed to be improved and rules and procedures reviewed to determine whether they should apply fully to emergency operations. OIOS submitted a separate report to the General Assembly on the results of the audit (A/56/128).

28. An audit by OIOS in **the former Yugoslav Republic of Macedonia** showed the need to strengthen implementing partners' accounting systems and controls over UNHCR funds and to reduce the level of cash payments to limit risk. For example, army-style kitchens purchased for $270,000 were never used, while the purchase of equipment (valued at $2.5 million) at $650,000 from the former peacekeeping mission United Nations Preventive Deployment Force (UNPREDEP), resulted in significant savings. UNHCR agreed with the recommendations of the audit and has taken steps to implement them. For example, efforts are being made to sell or redeploy the army-style kitchens.

29. An OIOS audit in **East Timor** showed a need to strengthen accounting and internal control systems adopted by implementing partners. It also found that expenditures had been misallocated between project years and that supporting documentation was lacking. Most partners initially received UNHCR instalments via banks in Australia, resulting in significant bank charges and exchange rate losses, as well as unnecessary risks related to the handling of large amounts of cash.

30. In addition, UNHCR was still not adequately monitoring the activities of its implementing partners. An audit by the Board of Auditors and an OIOS follow-up audit noted that discrepancies of $90,000 concerning shelter materials had not been resolved. Until July 2000, no proper accounting and internal controls systems had been established for UNHCR's administration and finance. Vehicle and fuel controls were assessed as weak. UNHCR had attempted to make

improvements, but an OIOS follow-up review showed that more needed to be done.

31. OIOS found that the **West Timor** operation, which ran until September 2000, was inadequately staffed, particularly in the finance and administration areas. Financial management was weak, and bank accounts were opened without assurances that basic accounting and internal control systems were in place. Budgetary controls were also ineffective and procurement responsibilities were not adequately segregated. Furthermore, the regional office in Jakarta did not provide adequate support, direction and training to the staff in West Timor. OIOS made a number of recommendations to address these matters.

32. Many of the problems identified in the Timor operations can be attributed to problems with staffing, such as frequent rotation and delays in filling established posts. There was no evidence of proper handover and debriefing of short-term staff serving during the emergency period to ensure operational continuity. OIOS audits emphasized the need to fill key staff positions in programme, finance and supply chain management quickly and adequately. OIOS planned to review UNHCR staffing of emergency operations again in 2001.

33. OIOS concluded that the **Eritrea** emergency operation was well managed and had achieved project objectives. The close involvement of UNHCR and the adequacy of existing procedures enabled it to control its funds and assets effectively. Implementing partners' accounting and internal control systems were satisfactory. However, OIOS found that UNHCR needed to improve training, management of the truck fleet, stock management and warehouse procedures. UNHCR has implemented most of the Office's recommendations.

UNHCR implementing partners

34. OIOS assigned a high priority to reviewing projects implemented through UNHCR's partnership with international NGOs. OIOS conducted a comparative analysis of international NGOs implementing UNHCR projects to determine whether its policy and guidelines were being complied with, or needed to be revised and further enforced.

35. The accounting and budgetary systems and financial management policies used by partner NGOs were not always compatible with UNHCR's monitoring and reporting requirements. As a result, it was difficult to reconcile financial reports and ensure the completeness and accuracy of the information presented. Interest earned on project funds was not systematically credited to UNHCR projects. Unspent balances were not recovered in a timely fashion by UNHCR and significant amounts of funds remained with partners for over a year. Procurement was delegated to partners who did not have adequate policies and procedures. OIOS found that inventory controls and policies and procedures for paying expatriate staff working on UNHCR projects needed to be improved.

36. In response to the recommendations put forward by OIOS, UNHCR has made important changes to its programme management rules and guidelines and is assessing its major partners' accounting systems and financial policies. Considerably stricter rules are being applied for the delegation of procurement authority. For example, purchases exceeding $20,000 will only be delegated to "pre-qualified" partners, and the UNHCR Committee on Contracts will have to approve all delegated procurement actions exceeding $100,000. Clearer guidance and benchmarks for budgeting and monitoring project staff costs have also been introduced.

UNHCR private sector fund-raising

37. OIOS audited UNHCR private sector fund-raising activities, which have intensified recently and generated an income of $14.6 million in 2000. Guidelines have been issued, but certain policy matters still needed to be clarified to ensure a more consistent approach. Self-sustainability, a key indicator of any fund-raising operation, was not established as a main objective, and achieving financial targets was not always included as a fund-raising objective. Return on investment was not always consistently calculated, thus distorting the results. Specific external audit requirements need to be developed to cover UNHCR fund-raising expenditures and income raised on behalf of UNHCR.

38. UNHCR agreed with the OIOS audit recommendations and intends to address policy gaps in its new private sector fund-raising guidelines. Fund-raising agreements with national associations will also be revised, and clearer procedures established.

Earmarked contributions

39. An audit of the financial reporting for earmarked contributions received from two major donors in 1999 showed that some donors require information at a level of detail that the UNHCR financial systems cannot provide. In such cases, financial reporting to donors had to be based largely on financial information compiled manually in the field. Data reliability was sometimes questionable because expenditures were not always properly certified and verified, and in some instances financial reports were based on estimates and assumptions. Time restrictions imposed by donors sometimes limited the ability of UNHCR to apply normal procedures, which in one instance resulted in a loss of $145,000 in pledged funds. In many cases, donors stipulated funding and financial reporting periods which were not consistent with the UNHCR standard reporting periods, which placed onerous tracking and reporting requirements on UNHCR. At the time of the audit, pledges totalling $67.5 million were still outstanding, with some pledges dating back to 1996.

40. The Office's recommendations will be included in the revised UNHCR Donor Relations Guide. UNHCR is also encouraging donors to align their financial and reporting periods with those used by UNHCR and to abstain from excessive reporting requirements. In addition, UNHCR is regularly monitoring outstanding pledges and has increased its efforts to collect on pledges.

(c) Investigation of the UNHCR branch office at Nairobi

41. UNHCR requested the assistance of the OIOS Investigations Section in looking into allegations that refugees in and around Nairobi were being requested to pay bribes to obtain registration and resettlement documents from the UNHCR branch office in Nairobi. UNHCR sought the advice of OIOS because prior inquiries had been "inconclusive".

42. The initial assessment of the evidence by OIOS investigators in Nairobi established that there was a serious problem of bribery and extortion of refugees seeking to be resettled. There was also evidence that refugees who failed to make such payments or sought to stop making payments ran the risk of losing any possibility of resettlement regardless of their eligibility status. The extent of the involvement of UNHCR staff members needed to be confirmed, although there was some evidence of complicity in the provision of documentation, access to resettlement officers and priority placement.

43. UNHCR agreed with the OIOS recommendation that a full investigation should be launched. The Investigations Section initiated an innovative plan obtaining the agreement of five Member States with specific interest in the issue — Australia, Canada, Kenya, United Kingdom of Great Britain and Northern Ireland and United States of America — to provide technical expertise via the secondment of especially experienced investigators who would operate as a multinational task force under the leadership of the Office.

44. Despite threats made against its members, the task force in three months produced evidence of a criminal enterprise involving nationals of several countries which was operating in Kenya to take advantage of refugees and acquire millions of dollars in profit. The task force also uncovered a plot to stop the investigation by means of a conspiracy on the part of the criminal enterprise to threaten to kill an ambassador to Kenya and the UNHCR resident representative, among others. As of June 2001, on the basis of the work of the task force, the Kenyan authorities had arrested nine individuals from four countries. These cases are pending in Kenyan courts. The inquiry is continuing.

2. Office for the Coordination of Humanitarian Affairs

(a) Overall assessment

45. The OIOS inspection of the Office for the Coordination of Humanitarian Affairs, which was reported to the General Assembly in September 1999 (A/54/334), contained five critical recommendations. To date, four of the recommendations have been implemented. In addition, the Office for the Coordination of Humanitarian Affairs has taken action to comply with the remaining recommendation, calling for improvements in the consolidated appeals process for humanitarian assistance. The consolidated appeals process provides the international donor community with overviews of the current humanitarian situation in specific countries and the status of humanitarian programmes. The new initiatives call for the use of countries where projects funded under the consolidated

appeals process and the United Nations Development Assistance Framework are in place as case studies to showcase how links among the different United Nations system strategies can be developed and encouraged.

46. The OIOS audit of the Geneva Office of the Office for the Coordination of Humanitarian Affairs also resulted in 15 critical recommendations to management. Among other things, these recommendations called for more timely and accurate financial reporting, implementation of emergency field recruitment procedures, improved personnel management and a clear timetable for finalizing the emergency rules and procedures requested by the General Assembly. Three of the recommendations have already been implemented. In connection with the remaining 12 critical recommendations, the Office for the Coordination of Humanitarian Affairs has conducted a comprehensive review of administrative procedures in emergencies with a view to identifying areas where existing rules continued to impede fast response. It has also proposed enhanced delegation of authority and streamlined administrative procedures in the areas of finance, personnel and procurement. In June 2001, the Under-Secretary-General for Management approved the proposals for enhanced delegation of authority and special procedures, with some minor modifications. The Office of Internal Oversight Services will closely monitor their implementation.

(b) Audit of the Office for the Coordination of Humanitarian Affairs in Geneva

47. This audit showed that the administrative systems of the Office for the Coordination of Humanitarian Affairs did not fully support field operations and failed to provide management with the necessary records and reports. Key operating procedures and internal control systems had not been established prior to commencing field operations. Also, management did not adequately oversee the activities of the Finance and Administrative Unit, which failed to reconcile inter-office voucher transactions valued at almost $100,000, which had been outstanding for more than a year. Advances recoverable locally totalling $2.6 million had not been accounted for in over two years owing to control breakdowns.

48. The audit also showed that the Office for the Coordination of Humanitarian Affairs experienced difficulties in providing speedy recruitment and personnel support during emergencies. This resulted in the deployment of some emergency staff without formalized contractual arrangements as well as delays in the payment of salaries and allowances to 40 per cent of its staff in the area during the early stages of the East Timor crises. Furthermore, it had not formulated a substantive strategy for transforming or withdrawing its presence from a particular country or region. Special emergency rules and procedures, which the General Assembly had requested the Organization to develop since 1991 to enable all organizations to disburse emergency funds quickly and to procure emergency supplies and equipment and to recruit staff, were still in draft form at the time of the audit.

49. OIOS made a number of recommendations aimed at strengthening support to field operations and enhancing central administrative services in the areas of finance, personnel and general services. The Office for the Coordination of Humanitarian Affairs agreed to implement the recommendations, but noted that existing United Nations rules and procedures had not been formulated for emergency operations and could not be easily adapted to the emergency nature of the mandate of the Office for the Coordination of Humanitarian Affairs. In the absence of special emergency rules and procedures, it encountered difficulties and delays in providing timely administrative support in emergencies, particularly during the initial phase of major humanitarian operations, such as in East Timor. The implementation of special emergency procedures approved by the Department of Management in June 2001 was expected to bring about improvements in its administrative response capacity in emergencies.

50. In July 2000, the Office for the Coordination of Humanitarian Affairs had launched an internal review of its structure, capacities and practices with the ultimate aim of strengthening its ability to meet increasing demands and new challenges. One of the main goals of the review was to improve administrative support to its field offices. That review came to the same conclusion as the audit report, that the increasing demands made upon the office had not been matched by additional administrative support staff. In that regard, OIOS noted that over the last two biennia, while the number of field activities of the Office for the Coordination of Humanitarian Affairs had significantly increased, the number of its staff administering these

operations had declined. To address the situation, its administrative services had been strengthened through the addition of new posts and the creation of a new Human Resources Section and a separate Finance Section.

51. The Office for the Coordination of Humanitarian Affairs noted that the implementation of special emergency procedures, the strengthening of its administrative office in Geneva and other measures already taken in the context of its internal change management would strengthen its capacity to implement the audit recommendations.

3. Office of the Iraq Programme

52. The Office of the Iraq Programme was established at United Nations Headquarters effective 15 October 1997 to consolidate the management of United Nations activities in the area and to improve the implementation of the Iraq Programme established by the Security Council in its resolutions 986 (1995) and 661 (1990).[2] The Office's responsibilities include, inter alia, processing applications for contracts for importing humanitarian supplies to Iraq and approval of contracts for oil exports from Iraq. The Office also coordinates United Nations observations of distributed supplies under the programme in central and southern Iraq, as well as programme implementation in the three northern governorates of Iraq by United Nations agencies and programmes on behalf of the Government of Iraq.

53. OIOS has established a dedicated audit section for Iraq Programme activities to address the risks associated with this multifaceted programme. One of the major functions of the section will be to ensure that adequate audit coverage is achieved in northern Iraq where nine United Nations agencies and programmes are implementing programmes under Security Council resolution 986 (1995). While each agency now conducts its own audit, OIOS will ensure that the audits are closely coordinated and, in some cases, jointly performed with the audit services of other United Nations agencies.

54. The United Nations Office of the Humanitarian Coordinator in Iraq (UNOHCI), which is an integral part of the Office of the Iraq Programme, monitors the distribution and utilization of humanitarian supplies purchased by Iraq under the humanitarian programme in the 15 central and southern governorates and also coordinates the humanitarian programme being implemented by United Nations agencies and programmes in the three northern governorates. OIOS had previously reported that UNOHCI needed to strengthen the coordination and monitoring of projects executed by other United Nations agencies under resolution 986 (1995)-funded programmes in northern Iraq. A subsequent audit showed that management had taken steps to enhance its coordination and monitoring efforts. However, UNOHCI needed to make improvements in other areas, such as: providing additional guidelines to implementing agencies on project selection criteria; establishing criteria for paying emoluments to local personnel engaged in United Nations agencies programmes; examining modalities for conducting post-implementation reviews of projects implemented by United Nations agencies; and improving coordination of procurement activities, by, for example, implementing a common vendor roster.

55. The audit report contained four critical recommendations and the Office of the Iraq Programme management has taken appropriate action to implement them.

4. United Nations Compensation Commission

56. The United Nations Compensation Commission, established by the Security Council in its resolution 687 (1991), is a subsidiary organ of the Council whose function is to process claims and pay compensation for losses resulting from Iraq's invasion and occupation of Kuwait. Compensation is paid from a special fund that currently receives 25 per cent of the revenues from Iraqi oil sales. An OIOS management review assessed the preparations being made for phasing out the activities of the Commission at the end of its mandate. The Commission has successfully processed the majority of claims for compensation, many of which were very complex. With the exception of environmental claims, which will not be completed until the end of 2004, the Commission will likely complete its work programme by the end of 2003. However, the OIOS review found that a number of issues needed to be resolved in order to avoid unnecessary extensions to the work programme. In particular, the Commission management needed to resolve several matters by making relevant proposals to its Governing Council. These included:

(a) Adherence to Article 41 procedure deadlines, which allow for certain types of errors in claim award decisions to be brought to the attention of the Executive Secretary by claimants within 60 days of publication;

(b) Notification to submitting entities of the policy for the acceptance of late-filed claims and informing the Governing Council of the implications on the work of the Commission in cases where such claims are accepted;

(c) Review of the existing policy in order to establish time limits for responding to claimants' substantive claim queries.

57. A cornerstone of Commission management policy for the final phase of its work involves a strategy to retain existing staff to complete the work programme on schedule. To implement this strategy, the Commission has been delegated full authority in matters of personnel administration by the Department of Management, along with approval in principle for a number of exceptional measures pertaining to staff retention. Due to objections by the Governing Council, not all of those measures have been implemented. OIOS questioned whether the measures taken to date by the Commission will be sufficient to enable it to retain its staff, considering the historically high turnover rate for Professionals, in particular legal staff, and recommended that the retention strategy be enhanced to ensure adequate staffing.

58. A Commission-specific document retention policy and an appropriate archiving system are also major requirements for the Commission's phasing-out process. A coordinated policy needs to be developed to clearly define responsibilities for this task, within the Commission, in consultation with the relevant Secretariat bodies, including the Office of Legal Affairs and the United Nations Archives and Records Management Section. A cost-effective archiving system should be selected once a document retention policy has been established.

59. OIOS also audited the procurement of outsourced valuation consulting services relating to the review of certain claim cases. While outsourcing had enabled the Commission to process claims within prescribed time frames, OIOS noted that the request for proposal did not specify the expertise mix required under the contract. Thus, some bidders who quoted the lowest costs were disqualified because they did not meet the expertise requirements. Had these bidders been apprised of the acceptable range of expertise requirements, it is likely that more acceptable proposals would have been received. After OIOS brought this matter to the attention of the Commission, a change was made in the bidding exercise held in September 2000, which was less restrictive in terms of the expertise mix requirements.

60. In total, nine critical recommendations were made, of which eight were implemented by the Commission. One critical recommendation, for the Commission to take steps to require Governments and other paying agents to provide audit certificates relating to payment reports submitted to the Commission, was not adopted by the Governing Council.

5. Office of the United Nations High Commissioner for Human Rights

61. OIOS continued to monitor closely the implementation by the Office of the United Nations High Commissioner for Human Rights (OHCHR) of OIOS audit recommendations, including those relating to four audits completed during the previous reporting period. Those audits, which were discussed in the previous OIOS annual report, covered OHCHR field operations in Burundi and Colombia, field support services and OHCHR headquarters administration. No additional audits were conducted during the current reporting period.

62. Implementation of critical OIOS audit recommendations was progressing satisfactorily. OHCHR has implemented all 23 critical audit recommendations on its Burundi field operation. Those recommendations were designed, inter alia, to improve certifying and approving functions as well as accounting and financial reporting systems. OHCHR has also taken steps to improve various personnel, procurement and asset management procedures and controls. It has also implemented 15 of the 18 critical audit recommendations issued by OIOS on its field operation in Colombia. In this regard, OHCHR has created a best practices model based on the well-managed Colombian operation and has successfully negotiated an extension of its tenure and an increase in its size. Improved controls over pledges and budgeting have been implemented and an exit strategy has also been prepared.

63. To date, OHCHR has implemented 8 of the 10 critical recommendations made in the OIOS audit of field support services. These include: clarifying with the United Nations Office for Project Services the division of responsibilities for providing field support services, establishing clear policies on accounting for advances, strengthening its financial management capabilities, and establishing policies concerning security and contingency planning.

64. OHCHR has also implemented most of the 16 critical recommendations made by OIOS in its audit of headquarters administration. It has already strengthened its administrative support capacity, redistributed certain administrative functions to ensure the proper segregation of duties, developed expertise for implementing audit recommendations and improved controls over the utilization of funds. Recommendations still being implemented by OHCHR include seeking approval for a contract manager position; obtaining a legal ruling on what rules and regulations apply to funds managed by contracting agencies; negotiating with the Controller on a revised support cost charge; and creating a consolidated OHCHR project database. OIOS will continue to monitor the implementation of its recommendations.

C. Political affairs

Department of Peacekeeping Operations

(a) Overall assessment

65. OIOS issued 334 recommendations (including 51 critical audit recommendations and 22 critical investigation recommendations) to the Department of Peacekeeping Operations and to peacekeeping missions during the reporting period. Ten critical recommendations were also made to the Office of Human Resources Management in the context of peacekeeping audits.

66. The recommendations mainly pertained to: civilian police operations, establishment of mission subsistence allowance rates, policies and procedures for recruiting international civilian staff for field missions, and resident audits and investigations in field missions. To date, 185 recommendations (including 25 critical audit recommendations and 16 critical investigation recommendations) have been implemented by the Department of Peacekeeping Operations, the Office of Human Resources Management and the respective field missions concerned.

67. Most of the critical recommendations yet to be implemented involve significant changes to existing policies and procedures. The Department of Peacekeeping Operations has indicated that many of these recommendations were being addressed as part of the ongoing comprehensive review of peacekeeping operations. Appropriate action to implement these critical recommendations had been initiated in most cases. OIOS will continue to monitor them until they are fully implemented.

(b) Field audit coverage and investigations at peacekeeping operations

Audit at the International Civilian Support Mission in Haiti (MICAH)

68. The MICAH status-of-mission agreement with the Government of Haiti, which establishes the privileges and immunities of the mission and its staff, had not been extended to cover the liquidation phase. As a result, airport taxes on individuals and local taxes on goods and fuel, although previously exempted under the status-of-mission agreement, were again levied by the Government. As recommended by OIOS, the status-of-mission agreement was subsequently extended to cover the liquidation phase of MICAH. OIOS also recommended that the Department of Peacekeeping Operations ensure that the status-of-mission agreements of all missions being liquidated were extended well in advance of the expiration of their mandates to avoid any suspension of the privileges and immunities granted by the host Government concerned during the liquidation phase. The Department concurred with the recommendation and indicated that it would request the Office of Legal Affairs to include a provision covering the liquidation phase in all status-of-mission agreements.

Resident audit of the United Nations Mission in Sierra Leone (UNAMSIL)

69. Resident audits at the peacekeeping mission in Sierra Leone disclosed weaknesses in the management of service and rations contracts. A payment of $133,000 to the service contractor for warehousing operations was unproductive because the task was never completed, and the work order was subsequently

cancelled. Although the service contractor had mobilized staff for the construction of water wells, they were kept idle for eight weeks, resulting in unnecessary expenditures of approximately $66,000. The Department of Peacekeeping Operations commented that it would pursue the matter with the mission and take appropriate recovery action.

70. The resident auditors also found internal control weaknesses in procurement, financial management, travel, leave and attendance, property management and transport operations. The mission took appropriate action to strengthen controls in these areas.

Audit at the United Nations Iraq-Kuwait Observation Mission (UNIKOM)

71. OIOS found that the local bank balances of UNIKOM were not earning interest and recommended that the mission explore alternative banking arrangements to correct this. UNIKOM management initiated actions that significantly reduced field cash holdings. The mission did not apply the policy of the Department of Peacekeeping Operations in respect of authorized "liberty" use of vehicles. The UNIKOM warehouse contained large quantities of uniform items such as blue berets (3,203) and sun hats (12,234), which had been originally purchased for the United Nations Operation in Somalia and sent to UNIKOM. As recommended by OIOS, UNIKOM advised the United Nations Logistics Base in Brindisi of its excess inventory holdings for possible distribution to other missions.

Audit at the United Nations Mission in Ethiopia and Eritrea (UNMEE)

72. Internal controls over the reporting of time and attendance for administering the leave entitlements and related payment of allowances to military staff officers at UNMEE were found to be insufficient. The mission's ration supply contractor was unable to fully meet its obligations under the contract. Due to the contractor's lack of adequate storage and transportation assets, rations were delivered to contingent locations in unacceptable condition and consequently were rejected in whole or in part by the mission's military contingents. The audit found that the Joint Logistics Cell at UNMEE headquarters wholly relied upon the quantities of fuel reported by the contingents, without performing any checks to ensure that the reported level of consumption was reasonable. The Department of Peacekeeping Operations advised that the ration supply contractor had been formally advised of the gaps in performance and had made significant efforts to improve delivery, quality and warehousing conditions. To improve the controls over fuel, the Department has developed detailed standard operating procedures, which have been sent to all missions.

73. At the time of the audit, UNMEE was in the process of evaluating commercial premises to replace the Addis Ababa liaison office container complex, which had been built on the grounds of the Economic Commission for Africa in March 2001 at a cost of $384,400. OIOS pointed out that if the liaison office was moved to commercially leased space, UNMEE would have to pay substantial monthly costs, in addition to $90,000 to prepare the facilities and more than $50,000 to dismantle and transport the existing prefabricated containers. This would clearly be uneconomical. The matter remains under review in the mission and at the headquarters of the Department of Peacekeeping Operations.

74. The OIOS analysis of the operating costs of the mission's aircraft showed that the average cost per passenger carried by the H-125-400 passenger jet ranged from $1,058 to $2,564, as compared with $286 to $451 for the AN-26 turboprop aircraft, and that both planes travelled to the same destinations. OIOS recommended that UNMEE ensure that its aviation assets supported the mission in the most efficient and effective manner and that consideration be given to discontinuing the passenger jet contract in favour of a more economical aircraft. The Department of Peacekeeping Operations indicated that it was in the process of reconfiguring the UNMEE aircraft fleet as recommended. However, it stated that it could not discontinue the passenger jet contract because of the additional flight time involved when using a turboprop aircraft, since the host countries have not permitted the mission to make direct flights between Asmara and Addis Ababa and all flights between these cities must be routed through a third country. OIOS points out that this has resulted in significant additional costs to the United Nations.

Investigation at the United Nations Mission in Bosnia and Herzegovina (UNMIBH)

75. Following an OIOS investigation and a trial in a United States District Court, in April 2001, the United States Court of Appeals upheld the conviction of a

former UNMIBH staff member who had been convicted of wire fraud and conspiring with a local travel agent and an airline employee to submit fraudulent invoices for excess baggage, resulting in a loss of $800,000 to the Organization. The individual is currently serving a 41-month prison sentence. (For details on the fraud, see A/54/683.)

Audit at the United Nations Observer Mission in Georgia (UNOMIG)

76. An audit found a discrepancy amounting to $12.4 million between the assets recorded in the Department of Peacekeeping Operations Field Assets Control System and the assets reported in the UNOMIG "non-expendable property report". As recommended, the mission reconciled the discrepancy by comparing physical counts with electronic inventory records and deleting duplicate entries. The audit also found that the electronic inventory of spare parts in the mission's transportation warehouse was not reliable. UNOMIG indicated that the situation would be corrected by entering the transport inventory records in the Field Assets Control System's inventory control module.

Resident audit and investigation of the United Nations Interim Administration Mission in Kosovo (UNMIK)

Audit

77. OIOS resident auditors at UNMIK found weaknesses in the mission's management of trust funds. There were irregularities and violations of United Nations Financial Regulations and Rules in the implementation of a $9.0 million winterization programme. The mission had yet to provide the auditors with proper supporting documentation for local procurement expenditures amounting to $2.9 million and payments to beneficiaries amounting to $1 million. OIOS will follow up on this matter. In one municipality, winterization programme funds amounting to DM 73,470 (approximately $35,000) were used to hire vehicles, purchase gasoline, and for the purpose of granting personal loans, in breach of United Nations financial rules. The mission advised that most of the funds had since been recovered.

78. Improper procurement planning by the mission led to the issuance of a large number of purchase orders at the end of the financial period, as well as 12 other actions (miscellaneous obligating documents) to obligate funds totalling $3.6 million for the procurement of goods and services in contravention of established procedures. Based on the recommendations of the auditors, the mission subsequently cancelled 11 of the obligating documents, amounting to $3.4 million.

79. The resident auditors' review of the implementation of the mission's delegated authority for the recruitment of international civilian staff in the civil administration component indicated that while the delegation of authority enabled the mission to significantly reduce the vacancy rate, there were deficiencies and weaknesses in the mission's recruitment procedures and practices. The mission recruited most of the international staff without an evaluation of all candidates, and without performing reference checks of their qualifications and experience. Job descriptions were not fully developed and the mission's ability to manage posts effectively in the civil administration was hampered by the non-utilization of the Field Personnel Management System. These problems had occurred mainly because the mission's recruitment cell was not adequately staffed with qualified and trained personnel. The mission agreed to implement the resident auditors' recommendations to improve the recruitment procedures.

Investigation

80. Upon agreement with the Special Representative of the Secretary-General, OIOS established an Investigations Unit at UNMIK, based in Pristina, in August 2000. The Unit was initially staffed with two resident investigators for a trial period of three months. After the successful conclusion of this pilot, UNMIK and OIOS agreed to maintain the Investigation Unit for the duration of the mandate of UNMIK and to add a third investigator to the Unit.

81. The OIOS investigators in UNMIK conducted, inter alia, an inquiry into an allegation of corruption of an UNMIK staff member attached to the Municipality of Pristina. The investigators found evidence showing that the staff member had, on two occasions, embezzled Kosovo consolidated funds. On two further occasions, he had solicited payment of bribes (and on one of them had accepted the payment) and had committed fraud against UNMIK. Upon receipt of the OIOS investigation report, the staff member concerned was summarily dismissed. Criminal charges are also pending against the individual.

Resident audit and investigation of the United Nations Transitional Administration in East Timor (UNTAET)

Audit

82. The resident auditors' review of infrastructure repair projects at UNTAET indicated that due to inadequate planning and the non-availability of required expertise, the projects could not be implemented expeditiously. Against total allotments of $12.7 million for the period from 1 December 1999 through 30 June 2001, the mission's expenditures and obligations through April 2001 for the projects totalled only $2.8 million, or 22 per cent of the allotment, preventing East Timor and UNTAET from deriving the full benefit of the proposed investment in infrastructure. The Department of Peacekeeping Operations commented that the mission had subsequently established benchmarks to monitor more closely the implementation of the projects.

83. A review of transport operations revealed that the preventive maintenance of the mission's vehicles had not been carried out in accordance with the service schedule recommended by the manufacturers. The resident auditors also found deficiencies and improprieties in regard to procurement of services, mainly due to a lack of awareness of the latest changes in the United Nations rules and procedures. The mission has initiated remedial action on the basis of the auditors' recommendations.

Investigation

84. Subsequent to the establishment of the UNMIK Investigations Unit, OIOS reached agreement with the Special Representative of the Secretary-General and the Director of Administration, UNTAET, to establish an Investigations Unit with two investigators in East Timor for a three-month trial period commencing in November 2000. The services to be provided by the Unit included providing investigative training to staff in the newly created Office of the Inspector-General of East Timor for capacity-building purposes, and conducting joint investigations with the Inspector-General's Office. It was also agreed that OIOS investigators would assist in training staff in the UNTAET Security and Safety Unit to help them discharge their Board of Inquiry responsibilities.

85. Agreement has also been reached extending the mandate of the Investigations Unit until the completion of the mission's mandate and, at the request of the Special Representative of the Secretary-General, also to provide support to the Inspector-General's Office until the new East Timor government is formed. In addition to the above capacity-building responsibilities, OIOS investigators have conducted investigations into cases involving abuse of authority, conflict of interest and bribery.

Investigation at the United Nations Truce Supervision Organization (UNTSO) in Lebanon

86. OIOS received information pertaining to documents purportedly sent from senior officials in UNTSO to public officials and private businessmen in a Member State. The letters on UNTSO letterhead appeared to be signed by UNTSO officials, including the Head of Mission, and were designed to provide United Nations support to a wealthy businessman facing trial on criminal charges for attempting to have a former business partner killed. The businessman has since been found guilty of those charges and is currently serving a prison sentence.

87. During the course of the investigation, OIOS interviewed an UNTSO Public Information Officer whose name appeared on some of the letters. The Public Information Officer, who was an active military officer on secondment to UNTSO, admitted to being the author and signatory of the letters and to forging the signatures of the UNTSO Chief of Staff and Deputy Chief of Staff. As a result, the Department of Peacekeeping Operations removed him from his official responsibilities in the mission area and repatriated him. The Member State authorities have since reported to OIOS that the Officer has left military service.

(c) Review of mission subsistence allowance

88. OIOS conducted a review of mission subsistence allowance (MSA) rates paid to military observers, civilian police and international staff members for accommodation, food and miscellaneous expenses and concluded that the allowances paid in seven missions — United Nations Mission for the Referendum in Western Sahara (MINURSO), UNAMSIL, UNOMIG, United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), UNMEE, UNMIK and UNIKOM — were excessive and needed to be reduced. In view of the substantial financial implications involved, the

Department of Peacekeeping Operations and the Office of Human Resources Management took prompt action on the OIOS draft report and subsequent consultations in February 2001. Their review of the MSA rates payable at UNMEE and UNOMIG have reduced the MSA rates payable in these missions, resulting in projected savings of approximately $3.6 million per year. OIOS-recommended MSA rate reductions at the remaining five missions could further save an estimated $41.4 million annually.

89. OIOS believes that there is a need for the Department of Peacekeeping Operations and the Office of Human Resources Management to review MSA rates regularly to ensure their continued reasonableness in comparison with the actual subsistence costs in the various missions. To eliminate the inherent conflict-of-interest situation in the collection of relevant data on those costs, OIOS has recommended that mission managers in the field not be involved in the process. The Department of Peacekeeping Operations and the Office of Human Resources Management have begun to reassess the MSA rates at selected missions and OIOS will conduct a follow-up audit in early 2002 to evaluate the results.

(d) Peacekeeping recruitment policies and procedures

90. The OIOS review of the policies and procedures for the recruitment of international civilian staff for peacekeeping and other special missions revealed shortcomings in the recruitment process and in the management of recruitment functions. The usefulness of the roster of candidates was limited because it was too cumbersome to maintain. Standard job descriptions for mission posts were yet to be fully developed and the selection process was not transparent. There were inconsistencies in determining the salary levels of selected candidates, and background checks of candidates' qualifications and experience had not been conducted in most cases. Furthermore, the absence of benchmarks and a proper analysis of workload for recruitment activities adversely affected the ability of the Department of Peacekeeping Operations to assess realistically and justify its resource requirements.

91. The audit concluded that the existing recruitment practices and procedures needed to be substantially improved to enhance transparency and to meet the staffing needs of field missions more effectively. OIOS made several recommendations to streamline the recruitment process, all of which were accepted by the Department. OIOS has prepared a separate report to the General Assembly on the results of this audit, which will be presented during the fifty-sixth session.

(e) Management audit of civilian police operations

92. At the request of the Department of Peacekeeping Operations, OIOS initiated a management audit to review the effectiveness and efficiency of civilian police operations. The civilian police component of United Nations peacekeeping operations has increased significantly, both in size and scope of operations. Several years ago, civilian police numbered approximately 2,200 and functioned primarily as monitors. Currently, there are more than 8,600 civilian police personnel, 75 per cent of whom have full executive police powers.

93. The review revealed that the Department was continuing to "reinvent" civilian police management and administrative systems with each new mission. OIOS recommended improvements in the strategy and management of civilian police operations and the recruitment of civilian police officers. OIOS found that, despite the massive increase in the deployment of civilian police, a comprehensive civilian police strategy had not been developed. Such a strategy is essential for establishing a methodology for calculating strength, providing for a common civilian police identity across all missions and establishing performance measures and mechanisms for institutionalizing lessons learned.

94. Additionally, civilian police selection criteria remained unchanged throughout the life of a mission even though different skills were needed at different stages. Frequent civilian police rotations, particularly at the senior management level, were found to be detrimental to operations and there was no programme in place to train and develop civilian police for rapid deployment. The review also revealed that civilian police were deployed in non-police roles and that the movement of large civilian police contingents to and from missions needed further improvement. The Department subsequently advised that procedures had been introduced for the more efficient coordination of rotations, including the joint transportation of officers from more than one country.

95. The operational improvements suggested by OIOS, however, represent only a part of the total

solution to the issues identified within the Civilian Police Unit of the Department. The management of the Department also needed to reassess the responsibilities assigned to civilian police and determine which functions were critical to a mission's success.

96. The OIOS audit was carried out concurrently with a study by the Panel on United Nations Peace Operations, and its findings paralleled those in the Panel's report (see A/55/305-S/2000/809). The OIOS recommendations should be considered in the context of the Secretary-General's ongoing comprehensive review of peacekeeping operations, as requested by the Special Committee on Peacekeeping Operations (see A/54/839, para. 67).

(f) Death and disability benefits for service-related injuries

97. The OIOS audit of death and disability benefits for service-related injuries indicated that while the overall claims review and approval process appeared to be efficient, there were significant delays in the payment of claims, primarily due to the non-availability of funds. To avoid such funding problems in the future, OIOS suggested the establishment of a reserve fund to meet the financial obligations arising from death and disability claims. In June 2000, the Department of Peacekeeping Operations, in coordination with the Office for Programme Planning, Budget and Accounts, established such a reserve fund.

98. The medical expenses borne by the Organization for the treatment of service-related injuries incurred by civilian police and military observers had in some instances amounted to hundreds of thousands of dollars per case. In view of the financial risk resulting from the absence of an upper limit for such costs, OIOS recommended that the Department of Peacekeeping Operations should submit proposals to the General Assembly for establishing a reasonable limit for payment of medical expenses for service-related injuries incurred by civilian police, military observers and members of military contingents. The Department is of the view that the matter should first be brought to the attention of Member States to seek their views and guidance.

99. OIOS also recommended that a review should be made of Appendix D of the Staff Rules, governing compensation payments to individuals in the event of their death, injury or illness related to the performance of official duties on behalf of the United Nations. Some of these provisions have become outdated; for example, the amounts of the maximum annual compensation payable to a staff member's dependants are still based on the limits established in 1966, which appeared to be low in today's context. OIOS also recommended that the rules should be amended to provide for the commutation of small monthly payments into one lump sum to avoid the disproportionately high cost of processing monthly payments. The Office of Human Resources Management accepted the OIOS recommendations and commented that it would participate in a working group led by the Office for Programme Planning, Budget and Accounts to review the provisions of Appendix D.

(g) IT support for peacekeeping

100. An OIOS audit of the information technology support provided by the Department of Peacekeeping Operations to field missions found that critical software requirements in substantive areas of mission operations had not been addressed, contingency planning provided little assurance of full recoverability and processing continuity in the event of an emergency, and most applications used in the field were not standardized, causing a duplication of effort and possible data inconsistencies. Almost half of the staff of the missions was untrained in the use of critical field information technology systems, and the Department's proposals for additional resources had not been adequately justified on the basis of performance indicators and benchmarks.

101. To improve information technology effectiveness, OIOS recommended that the Department of Peacekeeping Operations should prepare a strategic plan to define the crucial support needs of field missions and introduce a procedure to identify and monitor the key effectiveness indicators in the areas of customer support, strategic planning, staff development and product delivery/process management. The Department accepted the OIOS recommendations, and action to implement some of the recommendations had already commenced.

(h) Mission liquidation activities at United Nations Headquarters

102. An OIOS audit of mission liquidation activities at Headquarters noted that substantial improvements had been made in the liquidation of field missions,

particularly at recently closed missions such as the United Nations Transitional Administration for Eastern Slavonia, Baranja and Western Sirmium (UNTAES), the United Nations Civilian Police Mission in Haiti (MIPONUH) and the United Nations Preventive Deployment Force (UNPREDEP) in the former Yugoslavia. However, the planning and execution of residual liquidation tasks at Headquarters needed to be improved and more closely monitored in order to speed up the liquidation process.

103. The audit found significant discrepancies between the accounts receivable write-offs approved by the Accounts Division and the amounts recorded by the Department of Peacekeeping Operations. Furthermore, substantial accounts receivable balances reported by the Department as having been reviewed and adjusted in response to a previous audit recommendation were in fact found to be still outstanding. The existing procedures for write-off of accounts receivable need to be reviewed to ensure that the additional cost and time spent on collection efforts are cost-effective. Moreover, final reports on the disposition of United Nations-owned equipment were in many instances inaccurate in that assets pending write-off were shown as having already been written off. The Department has initiated remedial action based on the OIOS recommendations.

D. International justice and law

1. International Court of Justice

104. An OIOS audit of the International Court of Justice (ICJ), which covered the period from 1998 to mid-2000, had identified instances where the Court did not fully adhere to United Nations financial regulations and rules. The Court also did not always strictly comply with the United Nations Procurement Manual.

105. The OIOS recommendations dealt with the existing ways to correct the Court's practices in the following areas: certification and approval of obligations and expenditures, reservation of credits to meet expenditures, contracting and purchasing, receipt of supplies and equipment, establishment of a property survey board, and renegotiation of the travel contract to improve discounts and obtain lower rates. Since the audit was only completed in June 2001, OIOS has not made an overall assessment of the implementation of critical recommendations.

2. Personnel management at the International Criminal Tribunal for Rwanda

106. OIOS reviewed the adequacy of the internal controls at the International Criminal Tribunal for Rwanda for ensuring that all of its personnel were being managed and administered according to the terms of its delegated authority and applicable United Nations regulations and rules. While OIOS acknowledged that the task force established by the Office of Human Resources Management to study how to improve recruitment practices at the International Tribunal had made remarkable progress in assisting the Tribunal in decreasing its vacancy rate from 36 per cent to 5 per cent in 1999, overall, OIOS found that internal controls needed to be improved. The Tribunal generally agreed with the OIOS findings and recommendations and, in March 2001, issued its first annual report on the activities of its personnel section. This represents a major step towards improving the transparency of the Tribunal's personnel operations.

3. Investigation of allegation of fee-splitting between defence counsel and indigent detainees at the International Criminal Tribunals

107. OIOS conducted an investigation into possible fee-splitting arrangements between defence counsel and indigent detainees at the International Tribunal for the Former Yugoslavia (ICTY) and the International Criminal Tribunal for Rwanda (ICTR). The request for this investigation followed the report of the Expert Group established to review the effective operation and functioning of the two Tribunals (A/54/634), which made reference to "fee-splitting arrangements" between indigent detainees and their counsel at ICTY. The report did not cite any allegations of fee-splitting at ICTR.

108. By statutory authority, suspects and accused persons in both Tribunals are entitled to have legal assistance and, if deemed to be "indigent" by the Registrars, to have counsel assigned to them with legal fees and other costs borne by the Tribunals. Both Tribunals reported difficulties in establishing whether the criteria for indigence were met.

109. The investigation revealed that the issue of fee-splitting was linked with other related matters, such as: the problems in verifying claims for indigence submitted by the suspect/accused; the process of selecting and changing assigned counsel; the fees paid

to defence teams; and the use of frivolous motions and other delaying tactics before the Trial Chambers.

110. Based on documents examined and interviews conducted, OIOS investigators found evidence that:

(a) Several former defence counsel working with ICTR either had been solicited and/or had accepted requests for fee-splitting arrangements made to them by their clients. Two former defence counsel working with ICTY claimed to have been solicited by their clients to enter into fee-splitting arrangements;

(b) One current defence counsel at ICTR has rejected a detainee's request for fee-splitting and informed the Registrar accordingly;

(c) Some defence teams at ICTR had made arrangements for gifts to their clients, their clients' relatives and other forms of indirect support and maintenance detailed in the report;

(d) Some defence teams at both Tribunals had hired friends or relatives of their clients as defence investigators. This finding was further corroborated by the arrest by ICTR in May 2001 of a person who was working at the Tribunal as an investigator for the defence team of a former military commander currently on trial. The investigator was formerly a chief prosecutor in the city of Cynagugu, Rwanda, during the genocide and had been using an assumed name and a false passport at the Tribunal.

111. Both Tribunals were making efforts to curb such abusive practices noted by the investigators that facilitated fee-splitting arrangements.

112. During the fifty-fifth session of the General Assembly, OIOS was asked to continue its investigation into the question of the possible fee-splitting arrangements at both Tribunals, and other related matters, in consultation with the Registrars of both Tribunals and to provide a further report to the General Assembly at its fifty-sixth session. An overall assessment of the implementation of critical recommendations will be made after the submission of that report.

E. International cooperation for development

1. Department of Economic and Social Affairs

(a) Overall assessment

113. OIOS issued 57 critical recommendations to the Department of Economic and Social Affairs during the period under review. Of these recommendations, 26 resulted from audits of the United Nations Development Account and technical cooperation projects; 21 recommendations related to in-depth evaluations of the Population Programme and the Sustainable Development Programme; and 8 recommendations resulted from an inspection of the Department. Two recommendations also resulted from the OIOS investigation of allegations concerning the chief technical adviser of an executed project by the Department. The Department has made satisfactory progress in addressing the OIOS recommendations and to date has implemented 27 of them.

(b) Inspection of the Department of Economic and Social Affairs

114. An OIOS inspection of the Department concluded that the consolidation of the three former departments in the economic and social areas into one had enabled greater coherence of policy and programme activities and contributed to a more effective substantive support to the intergovernmental and inter-agency machineries. However, the Department needed to further improve the interaction among intergovernmental bodies, better evaluate development cooperation activities and undertake proactive follow-up on organization-wide executive decisions. Furthermore, it should take the lead in strengthening inter-agency collaboration at the working level to ensure the integration of programmes and the promotion of teamwork. Eight recommendations aimed at strengthening the coordination function of the Department were accepted and implementation was in progress.

(c) In-depth evaluation of the Population Programme

115. The OIOS in-depth evaluation reviewed the work of the United Nations population programme implemented by the Population Division of the Department of Economic and Social Affairs and by the regional commissions (E/AC.51/2001/3). The Division's work is an important part of the worldwide professional discussion on demographic issues. The value of its reports and publications as reference works and their comprehensiveness and technical quality is widely recognized. The Division has also made a significant contribution to the understanding of international migration and its Population Information Network has been a notable success.

116. To further improve the operations of the Division, OIOS recommended that: the coverage of information on population activities presented to the Commission on Population and Development should be enhanced through a consolidated report of several organizations; the quality and usefulness of the Division's output should be improved by providing clear statements on methodology and assumptions and additional interpretation of results; and the distribution of print publications, particularly those with little commercial significance, should be increased through the Internet. To foster collaboration with other programmes, OIOS also recommended that the Division encourage interdisciplinary approaches to population issues and foster a more active exchange of experiences among staff dealing with population issues in the regional commissions. The Division and the regional commissions should actively seek funds to sustain the Population Information Network and to promote population-related research and capacity-building. At its forty-first session in June 2001, the Committee for Programme and Coordination endorsed all of the OIOS recommendations. The Department has begun to implement the recommendations.

(d) In-depth evaluation of the Sustainable Development Programme

117. The OIOS in-depth evaluation reviewed the work of the subprogramme on sustainable development implemented by the Division for Sustainable Development (E/AC.51/2001/2). The main objective of the subprogramme is to ensure the effective and coordinated implementation of the United Nations sustainable development agenda.

118. OIOS recommended that the Department of Economic and Social Affairs promote dialogue between members of the Commission on Sustainable Development and other representatives engaged in intergovernmental processes. OIOS also recommended that the Division for Sustainable Development should make proposals to the Commission and other relevant bodies on the format, scope and calendar of reporting to facilitate the preparations for the annual or biennial sessions. The involvement of United Nations organizations, in particular organizations with regional or national offices, to support the implementation of national sustainable development strategies needed to be more effectively organized. To ensure that regional and subregional perspectives are given adequate attention at the Commission and other relevant forums, the Division should further consult with the regional commissions and other regional organizations. The Division should draw from these organizations' specialized expertise to support the work of the Commission and ongoing activities, such as the Commission's programme of sustainable development indicators. Considering the marked decline of resources to fund the Division programme of technical assistance, OIOS recommended that the Division identify areas where it can make unique contributions and develop a coordinated programme of assistance with other participating organizations. The Committee for Programme and Coordination endorsed all the OIOS recommendations. The Department of Economic and Social Affairs has begun to implement them.

(e) Audit of the implementation of the United Nations Development Account

119. The United Nations Development Account has been part of the United Nations regular budget since the 1998-1999 biennium. Its resources are generated through efficiency gains in the Secretariat, which are used to strengthen United Nations activities in the economic and social sector. An OIOS audit of the Development Account's programme framework and management observed the need to clarify project selection criteria by establishing a financing ceiling for projects and the need to include a requirement for joint project implementation.

120. The Department of Economic and Social Affairs agreed with the first observation and advised that a financing range of from $600,000 to $900,000 was being implemented for biennium 2002-2003 projects.

Regarding the second point, the Department noted that while joint implementation should be encouraged, using it as a selection criterion might create too much rigidity. In order to ensure the sustained impact of the Development Account programme, OIOS recommended that the Department should propose to the General Assembly that the capacity of projects to be sustained by other donors and partners when Development Account activities were completed should be included as a selection criterion. OIOS further recommended that the Department should identify projects for which activities should be sustained after completion of Development Account activities and prepare a strategy for identifying potential donors or partners.

121. OIOS identified, inter alia, the following areas requiring the attention of management:

- There is a need to include the contribution of the Department of Economic and Social Affairs as managing entity in the Secretariat's efficiency gains and in the resource requirements of the Development Account programme in order to ensure full costing;
- Project budgets should include programme support costs contributed by each entity and account for efficiency gains;
- In order to ensure adequate project execution, implementing entities' actual execution capacity should be determined before approving project proposals.

122. The Department generally agreed with the OIOS recommendations. The report of the Secretary-General on the implementation of projects financed from the Development Account also made reference to the OIOS audit report and recommendations (A/55/913, paras. 292-293).

(f) Technical cooperation project entitled "Promotion of Good Governance in Liberia"

123. An OIOS audit completed in February 2001 found that the project was generally well managed and had instituted fundamental controls over its funds and assets. OIOS noted, however, that, since May 1999, project activities had been undertaken without a proper legal and institutional framework within the country. This had a negative impact on the project's achievement. Measuring the achievement of the project was hampered by the lack of clarity in terms of deliverables. The non-delivery of in-kind government contributions created an additional burden on project resources. Furthermore, the Project Office had not yet agreed on the process for implementation and follow-up to the recommendations outlined in the governance programme report and the nine performance assessment reports already undertaken. Nor had it identified a viable entity to carry on the work of the project office when the project is completed. As of the date of the present report, OIOS was still awaiting the response of the Department of Economic and Social Affairs to this audit report.

(g) United Nations Centre for Regional Development

124. An audit of the United Nations Centre for Regional Development in Nagoya, Japan, disclosed that, in general, the Centre was administered satisfactorily and that its research programme and training courses were also adequately managed. OIOS identified two major issues which would contribute to improved administration of the Centre and recommended that a letter of understanding or agreement should be formalized before any of the Centre's staff was seconded to another agency and that appropriate procedures should be followed when selecting candidates for training programmes. The Department accepted and implemented both of the recommendations.

(h) Project implemented by the Department of Economic and Social Affairs "Mise en valeur du secteur eau en République centrafricaine"

125. An OIOS audit of the project revealed a number of irregularities in the areas of bank administration, payment of salaries and indemnities to project personnel, and reporting to the funding agencies and the Department. In particular, project assets were used to conduct water-drilling activities that were not in the approved programme and more than $50,000 of income generated therefrom was concealed from the United Nations Capital Development Fund, the United Nations Development Programme (UNDP) and the Department of Economic and Social Affairs.

126. The audit further disclosed, inter alia, that there was an unexplained difference between salaries actually paid according to existing vouchers and cash withdrawals; the project did not pay its share of

contributions for social security as well as deductions made on employees' salaries for their contributions for social security and taxes; and that the Chief Technical Adviser had falsely reported to the Department that project equipment and materials had been stolen and documentation destroyed. It was later proved that project assets had been used for private purposes instead. The Department accepted all of the OIOS recommendations stemming from the audit and has begun to implement them. It advised that it is continuing consultations with UNDP, the Office of Human Resources Management and OIOS to share information and address outstanding issues.

127. Following the audit, OIOS conducted an investigation into the allegations of wrongdoing by the Chief Technical Adviser of the project. The investigation revealed that: (a) the Chief Technical Adviser had provided United Nations-funded drilling equipment and materials to the national project counterpart who, by means of that equipment and material, had performed drillings for private/commercial clients and, at least on one occasion, retained a cash payment for himself; and (b) the Chief Technical Adviser had provided a United Nations-financed vehicle and chauffeur to a personal friend for approximately two years. The Chief Technical Adviser's contract was not renewed and the Department has initiated action to recover the misappropriated funds from his final pay.

2. United Nations Environment Programme

(a) Audit and inspection activities

128. During the reporting period, OIOS conducted audits of the United Nations Environment Programme (UNEP) International Environmental Technology Centre and reviewed seven UNEP offices away from headquarters based in Canada, Europe and Japan. OIOS issued six critical audit recommendations to UNEP concerning the Centre. Five of the six recommendations dealt with type II gratis personnel (i.e. personnel seconded to United Nations organizations by Governments) and one concerned accountability of the offices away from headquarters. These issues represent a continuing problem, and OIOS believes that UNEP should take further action to resolve the issues and to fully implement the OIOS recommendations. OIOS will continue to monitor implementation of the recommendations.

129. OIOS audits of UNEP offices away from headquarters showed that, overall, they were well run but that their accountability had not been clearly established. This was attributed to the lack of clearly defined delegation of authority from UNEP headquarters and the failure to distinguish their responsibilities from those of the United Nations Office at Nairobi for delivering financial and administrative services. OIOS was also concerned that some of the offices had still not completed host country agreements and were experiencing problems in obtaining exemptions from indirect taxes.

130. OIOS also followed up on recommendations made in its 1999 follow-up inspection report to the General Assembly (A/54/817). UNEP management has provided concrete evidence of the actions taken to address most of the recommendations. The actions related, inter alia, to further clarifying the new functional structure of UNEP, enhancing dialogue with its Committee of Permanent Representatives, establishing mechanisms for the delegation of authority and improving programme delivery.

(b) Investigation of misdirected funds

131. OIOS investigators assisted United States law enforcement authorities in the preparation of the criminal proceedings against a Chase Manhattan Bank customer who had been the erroneous recipient of over $700,000 in contributions made by several Member States for deposit in the UNEP Trust Fund account at the bank. As reported in the previous OIOS annual report (A/55/436, para. 163), the customer had refused to comply with the bank's request to have the money placed in the correct account, claiming that the money belonged to her. She was arrested in March 2000 and found guilty by a United States court jury in October 2000 on charges of bank fraud and bank larceny. She was sentenced in April 2001 to 24 months in prison and was required to make restitution of the misdirected funds to the bank. The bank had previously credited the UNEP account with the entire amount. (For additional information about this case, see A/55/353.)

3. United Nations Centre for Human Settlements (Habitat)

(a) Overall assessment

132. During the reporting period, OIOS issued 17 critical audit recommendations to Habitat, which

included eight recommendations based on an audit of the Habitat settlement rehabilitation programme in northern Iraq. All eight of the recommendations have been implemented, while the other nine critical recommendations remain open. In addition, Habitat has implemented one of the nine recommendations made by OIOS in its 1999 OIOS follow-up inspection (A/54/764) dealing with information management and has initiated action to address the remaining recommendations, which were largely intended to further enhance the ongoing revitalization of Habitat.

(b) North-west Somalia projects

133. In response to allegations of corruption and mismanagement, Habitat asked OIOS to investigate the specific allegations and conduct an audit of its operations in north-west Somalia. While the investigation established that the allegations of corruption and mismanagement were unfounded, the audit did find that the senior officer had not strictly adhered to United Nations rules and regulations and recommended that he should be held accountable for the approximately $50,000 in losses that resulted from his actions.

134. As banking facilities were not available in north-west Somalia, United Nations agencies made use of money vendors to make local payments. OIOS recommended that internal controls concerning the use of this money vendor mechanism should be improved and strengthened and that the entire United Nations system operating in Somalia should work in a coordinated manner to achieve cost reductions and avoid the risk of financial losses. Habitat agreed with the recommendations and was in the process of implementing them.

(c) Review of over-expenditures on Habitat projects

135. Habitat requested OIOS to review the causes of the over-expenditures of approximately $1.1 million on projects funded by a Danish aid organization. OIOS identified several accounting errors and other adjustments totalling approximately $1.6 million currently being reviewed by Habitat which may result in cancellation of the over-expenditures and partial repayment of these amounts to the aid organization. To prevent a recurrence of this problem, OIOS recommended that formal project management procedures be established, and that the staff involved in budget and project management receive training in United Nations accounting and budgeting. Habitat accepted both of the recommendations.

(d) Settlement rehabilitation programme in northern Iraq

136. OIOS audited Habitat's systems and procedures for implementing activities in northern Iraq funded under the Iraq Programme. Habitat's function is to resettle internally displaced persons and returnees in the three northern governorates. Projects valued at approximately $245 million were being implemented primarily in sectors related to housing, education, health, roads and bridges.

137. In view of the substantial funding involved and the numerous individual construction contracts entered into, it was essential that adequate segregation of duties be established. OIOS found that such segregation of duties was inadequate in the tender preparation stage, the bidding process and in the evaluation of bids. Furthermore, the contractor selection process needed to be strengthened since Habitat relied on a list of contractors whose capabilities had not been independently verified. Procedures for evaluating contractor performance had not been established, raising questions about the basis for awarding further contracts to a particular contractor. Improvements were also needed with respect to procurement of office equipment and supplies, improving the security of transferring large amounts of cash between locations and inventory management of imported materials.

138. OIOS also questioned the basis for making cash payments of approximately $500,000 annually to local personnel for inspecting Habitat construction projects. Although the local authorities unquestionably had the right to inspect projects being implemented on their behalf, OIOS did not consider the payments to the local personnel to be appropriate since Habitat used its own personnel to inspect the contractors' work. OIOS also understands that other United Nations organizations faced a similar situation when implementing projects in northern Iraq. OIOS recommended that UNOHCI, as the overall coordinator of the humanitarian programme in Iraq, should review the basis for payments made to local personnel and determine whether they were appropriate in the framework of the Iraq Programme. UNOHCI has taken steps to review this issue with the other United Nations organizations concerned.

4. United Nations Office for Drug Control and Crime Prevention/United Nations International Drug Control Programme

(a) Inspection of programme management and administrative practices at ODCCP

139. During the reporting period, OIOS carried out a review of programme management and administrative practices in the Office for Drug Control and Crime Prevention in Vienna, which included following up on recommendations of earlier in-depth evaluations as well as a 1997 review of programme management in the then Crime Prevention and Criminal Justice Division.

140. OIOS recognized that the energetic efforts of the Executive Director of the Office had heightened the global visibility of the Office, raised its public profile and made it more action-oriented. However, the inspection found that the Office was being run in a highly centralized manner, with the Executive Director concentrating authority and decision-making in his front office. A consistent system for programme oversight in the form of monitoring and implementation and assessing results was not in place and the absence of a clearly defined delegation of authority from the Executive Director to programme managers clouded accountability.

141. Reactions by some Member States, including donors and recipients of services, showed that the poor management of the Office had affected the fulfilment of its mandates and the proper implementation of some projects. OIOS observed that the staff was resourceful, talented and committed, but that the management situation had contributed to lowering their morale. OIOS took note of a series of measures that had been initiated at the beginning of 2001. The Executive Director accepted all of the OIOS recommendations and provided a detailed work plan and time frame for their implementation. OIOS will review the results of the measures taken before the end of 2001.

(b) Triennial reviews of the evaluations of UNDCP and the United Nations Crime Prevention and Criminal Justice Programme

142. The reports of OIOS on its triennial reviews of the in-depth evaluation of UNDCP and the Crime Prevention and Criminal Justice Programme were submitted to the Committee for Programme and Coordination, as required, three years after its decision on the in-depth evaluations. The Committee took note of the findings and conclusions contained in the report at its forty-first session in June 2001.

143. OIOS found that UNDCP benefited from the successful outcome of the twentieth special session of the General Assembly on the world drug problem, held in 1998, to which UNDCP had made a substantial contribution. The session provided the strategic focus for drug control until 2008. In addition, voluntary contributions to the UNDCP Fund had increased both before and after the special session, enabling UNDCP to plan a larger number of activities.

144. UNDCP programmes, which are well established, continued to provide services that were appreciated by the recipients and to generate new activities in response to changing priority needs. New programmes or those needing to be significantly enhanced, such as the global programmes for demand reduction and for the monitoring of illicit crops, as well as a number of country programmes, were implemented on a smaller scale than envisaged at first, and some did not have the impact that was expected.

145. OIOS found that UNDCP had made an effort to follow through on the recommendations of the Committee for Programme and Coordination. However, some recommendations had not been implemented in a manner that addressed the underlying problems identified in the 1998 evaluation. For example, the coordination of the collection and processing of information was still inadequate and the promotion of UNDCP as the main centre for concerted international action for drug abuse control should include a more sustained and substantive dialogue with other organizations.

146. Overall, OIOS found the level of implementation of the recommendations resulting from the in-depth evaluation of the United Nations Crime Prevention and Criminal Justice Programme to be somewhat disappointing. However, recommendations on the servicing of intergovernmental meetings, information and dissemination functions, and cooperation with other relevant organizations were implemented satisfactorily. OIOS will follow up on the implementation of recommendations on monitoring of standards and norms, traditional publications, public information policy and the contribution of crime prevention and criminal justice activities to

development. OIOS will also follow up on training aspects of projects, fund-raising and relations between the Centre for International Crime Prevention and the affiliated and associated institutions.

5. International Trade Centre

147. At management's request, OIOS audited the International Trade Centre (ITC) draft policy for publications, publication activities, and sales and marketing efforts. The audit noted that the draft policy did not provide for a uniform set of quality standards across sales publications. The draft policy also did not provide for a mechanism to monitor customers' satisfaction with ITC publications.

148. The practice of awarding individual contracts for printing jobs with similar specifications as well as a shortage of contractual editors and translators added to publication delays. ITC produced publications in excess of their demand, resulting in high publication inventories and unnecessary publication costs. The audit also found that the Centre's duplication capacity exceeded its requirements.

149. The audit resulted in a total of 15 recommendations, 9 of which were considered critical. ITC implemented 6 of the recommendations fully (including 3 critical recommendations) and 1 partially. It has implemented a feedback mechanism for the ITC magazine and was in the process of developing a roster of editors and translators. It has agreed to conduct a needs assessment before considering acquisition or leasing of high-value equipment and to regularly carry out a physical inventory of publication stocks. It has also signed a contract with the Publication Sales and Marketing Section of the United Nations Office at Geneva to promote and sell its publications and has redesigned its publications to make them more attractive and marketable.

F. Regional cooperation for development

1. Economic Commission for Africa

150. OIOS audited three of the five Economic Commission for Africa (ECA) centres for subregional development and found that the financial, personnel and procurement activities were being carried out in accordance with United Nations rules and regulations. However, OIOS felt that the centres could benefit from action to strengthen accountability by ensuring that the responsibilities and delegated authority of each centre were defined in a similar manner to that for monitoring and reporting. It is important for the subregional development centres to have a clear understanding of what their administrative and financial responsibilities are, and of the role played by ECA headquarters in ensuring that these responsibilities are properly discharged.

151. A comprehensive audit of the payroll services provided by ECA concluded that there were weaknesses in the arrangements for verifying, processing and recording payments and allowances. OIOS noted that ECA accepted and has already implemented many of its recommendations aimed at improving the payroll services.

152. OIOS also noted that ECA has made significant progress in fully implementing 5 of the 10 critical recommendations relating to the audits of payroll and the Subregional Development Centre in Kigali. Implementation of the remaining recommendations is in progress.

2. Economic Commission for Latin America and the Caribbean

153. An OIOS audit of the Economic Commission for Latin America and the Caribbean (ECLAC) found that in programme management, although the development of performance indicators was well under way, ECLAC had yet to develop guidelines to ensure the proper and efficient conduct of self-evaluations by substantive divisions so that the results would be consistent and comparable. There was also a need to ensure that resources budgeted for planned activities were not tapped to finance unplanned activities. For example, unbudgeted expenditures of $25,000 were incurred for an ECLAC student training initiative.

154. In administration, OIOS recommended improving the procedures for the use of consultants and interns, the administration of training and the efficiency of low-value procurement. In particular, OIOS recommended that ECLAC do a comprehensive analysis of its staffing requirements and, if found necessary, request additional posts, rather than continue using consultants and retirees to carry out its programme of work. ECLAC accepted all of the OIOS recommendations and has started implementing them.

3. Investigation of telephone usage and book publishing at the Economic and Social Commission for Western Asia

155. OIOS conducted an inquiry establishing that a senior manager at the Economic and Social Commission for Western Asia (ESCWA) had used United Nations staff and property for researching, typing and editing a private publication. The book had been written following an invitation from the Government that held its copyright. Despite the lack of fraudulent intent, the manager's actions were found to be contrary to the Organization's rules and regulations which require that prior approval of the Secretary-General must be obtained for any outside activity and that the property of the Organization must be used for official purposes only. The results of the investigation were brought to the attention of the Secretary-General and corrective action was taken. ESCWA informed OIOS that the staff member concerned had returned the honorarium received from the Government.

156. In addition, OIOS investigated allegations at ESCWA that a former staff member used its telephone facilities for personal long distance calls. To circumvent controls, the former staff member employed various methods such as using a telephone connected to the fax machine and requesting telephone operators and other staff members to place personal calls on his behalf. In addition to recovering the amount due to such fraudulent usage, as recommended by OIOS, ESCWA implemented controls to prevent such misuse in the future. These included issuing administrative instructions establishing procedures for monitoring telephone use and implementing a system to identify personal calls.

157. OIOS is also conducting a comprehensive audit of ESCWA in the context of its revitalization exercise. This assignment will be reported on in the next annual report, which will also include the OIOS assessment of ESCWA's implementation of critical recommendations.

G. United Nations Headquarters activities

1. Department of Public Information

(a) Audit of the Department of Public Information

158. An audit of selected activities of two major divisions of the Department of Public Information (Public Affairs Division and News and Media Division) found that the Department did not have an effective system for tracking and monitoring audit recommendations. Accounts receivable were not adequately managed, and as a result, approximately $400,000 of accounts was significantly overdue. Moreover, there was no mechanism to guide the development and application of pricing policies for the sale of videotapes, photographs and audio cassettes. The Department accepted most of the OIOS recommendations, but had yet to commence implementation action as of the date of the present report.

(b) United Nations Information Centre Tokyo

159. An audit of the United Nations Information Centre Tokyo disclosed that the centre was administered satisfactorily. However, OIOS identified two major issues requiring action: the Department of Public Information should amend the original lease of the premises to include a provision that the centre be provided with maintenance and operating cost information needed to evaluate the reasonableness of the rent charged; and the Department should review significant differences in staffing levels among comparable information centres with a view to correcting any staffing imbalances. The Department has accepted and implemented the OIOS recommendations concerning these issues.

2. Department of General Assembly Affairs and Conference Services

160. An inspection of the Department of General Assembly Affairs and Conference Services found that consolidating technical support services into the Department had reduced the time-consuming interdepartmental consultations done previously and allowed for improved planning and a more rational use of resources, thus enhancing the efficiency of the services provided to intergovernmental and expert bodies. A new level of consultation and cooperation had developed among conference services managers at all duty stations, including the United Nations Office at Nairobi and the regional commissions. However, while it was noted that the Department's performance was reviewed regularly by intergovernmental bodies, such as the Committee on Conferences and the Fifth Committee of the General Assembly, the Department needed to introduce other feedback mechanisms, such as surveys, which should be undertaken systematically

to enable it to continuously assess and improve the quality of the services it provides.

161. Management accepted all the OIOS recommendations and the Department is currently taking the necessary steps to implement at least half of the recommendations by the end of 2001.

3. Department of Management

(a) Overall assessment

162. The Department of Management has made significant progress in implementing the recommendations from the 1998 review of common services (A/54/157). While further attention needs to be paid to cost-sharing between offices and the Office of Human Resources Management has yet to undertake a customer satisfaction survey, most of the recommendations have been implemented by the management offices in New York, Geneva and Vienna, including the Department of General Assembly Affairs and Conference Services. In particular, the Office of Legal Affairs continued to provide centralized legal services to the United Nations Secretariat and the funds and programmes in order to ensure the uniform and consistent application of the law within the Organization to protect its interests and minimize the risk of liability. As discussed in paragraphs 88 and 89 above, the Office of Human Resources Management has worked closely with the Department of Peacekeeping Operations to address the Office of Internal Oversight Services recommendations concerning the need to review the mission subsistence allowances payable at peacekeeping missions. The MSA rate reduction recommended by OIOS would further provide savings estimated at $41.4 million annually if the implementation for the remaining five missions is completed. OIOS will continue to monitor the Office's progress in implementing OIOS recommendations in this regard.

(b) Follow-up audit of the implementation of procurement reform

163. OIOS reviewed the status of the United Nations procurement reform initiated in 1994 and found that management had satisfactorily implemented most prior recommendations and that there had been a significant improvement in the Procurement Division's systems and procedures. However, the audit also identified a need for further improvement in a number of areas. The Division's interpretation and implementation of the financial rules did not ensure that all cases requiring verification by the Headquarters Committee on Contracts were submitted for its review. Decisions to procure air transport services through letters of assist with Governments rather than commercial carriers were not adequately documented and were taken unilaterally by the Department of Peacekeeping Operations.

164. The Procurement Division also needed to increase its efforts to widen vendor participation in bidding for air transportation contracts by seeking feedback from vendors who did not respond to invitations to bid and developing additional strategies to further encourage prospective carriers. Finally, the Division did not adequately monitor low-value procurement cases assigned to procurement assistants, and the procurement processing times for some of those cases appeared excessive. Management agreed with all of the OIOS recommendations and has commenced implementation action. The results of the audit were reported to the General Assembly in March 2001 (A/55/746).

(c) Audit of the contributions management system at United Nations Headquarters

165. An audit of the system employed by the Department of Management for managing assessed and voluntary contributions received at United Nations Headquarters disclosed that the system was sound and the controls were generally effective. However, the Integrated Management Information System (IMIS) did not have a functionality that would allow staff of the Contributions Service to calculate, process and post assessment details to the relevant accounts. The application of Member States' credits and surpluses to contributions receivable was performed manually. In several instances, data that were already in electronic format were still being re-inputted in order to have this reflected in IMIS or to be issued in the desired report format.

166. The audit also found that written procedures for users were generally absent or not up to date; statements showing Member States' outstanding liabilities to the Organization were not sent out to the respective permanent missions on a regular basis; accounts and data for trust funds that had been closed were not protected against further or erroneous postings; and IMIS did not provide a facility whereby a

bank reconciliation statement could be obtained once the relevant details on the bank statement had been inputted. The Department advised that software provided by the Chase Manhattan Bank was being used to assist in reconciling the most active bank accounts. However, the package could be interfaced with IMIS and manual intervention was required.

167. The Department of Management has already taken action to implement most of the OIOS recommendations resulting from the above audit.

(d) Audit of Headquarters processing of inter-office vouchers through IMIS

168. The inter-office voucher system allows an office in one duty station to make payments or carry out other financial transactions at the request and on behalf of another office located in a different duty station. The OIOS audit of the operation of this system at United Nations Headquarters found that the inter-office voucher transactions had not been reconciled as of 30 June 1998 and 30 June 1999. The lack of reconciliation was attributable to shortcomings in IMIS, including ineffective software in converting old to new accounting codes, resulting in rejection of 80 to 85 per cent of the transactions. The IMIS design also did not provide for efficient data entry and approval procedures for inter-office voucher transactions.

169. The Accounts Division and the IMIS Project Team had already taken steps to address the above issues, such as formulating working guidelines for processing inter-office vouchers and identifying IMIS functionality shortcomings. The Accounts Division has also developed a manual system for the purpose of reconciling inter-office voucher transactions. OIOS found that the system was adequate and met the Division's requirements; however, the data from the resulting spreadsheets still had to be re-entered manually into IMIS.

170. The Department of Management accepted all of the OIOS audit recommendations and has already implemented a number of them. The Department has advised that the reconciliation of inter-office vouchers is now current.

(e) Follow-up audit of the recruitment process in the Office of Human Resources Management

171. In 1996, OIOS performed a management audit of the United Nations recruitment process and identified a number of areas requiring management's attention to ensure a more simplified, efficient and effective recruitment system. The most striking revelation was that, on average, the recruitment process took 461 days. Since then, the Office of Human Resources Management has made progress towards reforming and refining specific elements of the recruitment process. In 2000, OIOS reassessed the recruitment process and reported its findings to the General Assembly (A/55/397). The 2000 analysis of the recruitment time line revealed that it had been reduced from 388 days[3] to 275 days. The most significant reduction (107 days) was achieved between the time a department submitted its recommendation and when approval was given by the appointment and promotion bodies. OIOS found that, while the overall recruitment processing time has been reduced, the departmental decision-making phase had actually increased since 1996. More than half of the processing time was the responsibility of the departments themselves. OIOS identified some of the causes for the delays, which included the lack of qualified candidates on the shortlist and elaborate, time-consuming internal evaluation processes.

172. The Office of Human Resources Management has developed a number of initiatives to reform the recruitment process. However, OIOS believes that the Office needs to establish a strategic plan to integrate these initiatives in order to transform the current cumbersome and time-consuming process into a more proactive and flexible activity. To date, emphasis has been placed on the process itself, although from a policy perspective the Office needs to determine what its human resources management and recruitment goals are and what actions should be taken to accomplish those goals in line with departmental business plans. Each initiative must be analysed within this framework to determine how it will support the overall goal.

(f) Audit of education grants

173. The OIOS review of the policy related to education grants disclosed that when administrative instruction ST/AI/1999/4 was issued in May 1999, the Office of Human Resources Management did not modify the methodology to determine the level of education grant that had been in effect since 1992, although this had been called for by the International Civil Service Commission[4] and approved by the General Assembly (resolution 52/216). The matter was

referred to the Office of Human Resources Management for comments.

174. In the same context, OIOS had requested the Executive Secretary of the International Civil Service Commission to consider a revision of the methodology for establishing the flat-sum rates for boarding which would base the rates for the post adjustment multiplier at each duty station. OIOS was informed that the issues raised by the audit would be considered at the future sessions of the Commission.

(g) Proactive investigation of education grant administration

175. OIOS issued a report to the General Assembly on the proactive investigation of the education grant entitlement (A/55/352 and Corr.1). OIOS assessed this to be an area with potential for fraud based on the number of reports received by OIOS alleging fraudulent education grant claims; the high percentage of cases substantiated, as well as the disciplinary action taken; and the high cost of the entitlement.

176. In investigating cases of education grant fraud over the past few years, OIOS has noted the various fraudulent means used by the offending staff members submitting their education grant claims. The amount lost to the Organization can be substantial: in the cases investigated by OIOS, the amount defrauded averaged $26,500 per case, although in one case it was over $69,000. OIOS has recommended corrective measures to strengthen procedures to lessen the risk of fraud.

4. United Nations Office for Project Services

177. The United Nations Office for Project Services (UNOPS) works in partnership with the United Nations Development Programme (UNDP) and other United Nations bodies to provide the international community with a variety of project management services. It is entirely funded from fees received for its services. At the request of the Department of Management, OIOS reviewed the documentation provided by a private consulting firm in support of its consulting report entitled "Validation of Key UNOPS 2000/2001 Financial Parameters", as well as data provided by UNOPS on its 2000 administrative budget and project acquisitions in the first quarter of 2001, and concluded that the consultants' report was sufficiently supported and based on reasonable assumptions. Based on updated data, as of March 2001, OIOS estimated the UNOPS expected budget shortfall to be approximately $4.2 million, which was $0.8 million lower than validated by the consultants. UNOPS advised that the budget shortfall had been further reduced to $3.8 million at the time its 2000 accounts were closed.

178. At the request of the Secretary-General, OIOS is in the process of reviewing the role of UNOPS to identify ways to improve the overall quality of project execution services within the United Nations system. As a starting point, OIOS is analysing the applicability of options suggested by previous evaluations and studies of UNOPS. OIOS is also examining other project management approaches such as determining what work needs to be done and then adopting the best model for meeting the needs of the Organization. OIOS plans to complete its review in the third quarter of 2001.

5. United Nations Joint Staff Pension Fund

179. Audits of the United Nations Joint Staff Pension Fund conducted by OIOS during the reporting period included comprehensive reviews of the Pension Fund's office in Geneva and financial management and procurement activities in New York. OIOS also audited cash management at the Fund's Investment Management Service. The audits resulted in more than 40 recommendations, which have been or are being addressed satisfactorily by management.

180. In accordance with established practice, the results of Pension Fund audits carried out by OIOS are communicated in detail to the Chief Executive Officer of the Fund and, in respect of investment operations, to the representative of the Secretary-General for the investments of the Fund. In addition, a summary report on the internal audit coverage of the Fund's operations is submitted to the United Nations Joint Staff Pension Board on a biennial basis. The next such report, covering the operations of the Fund during the period from 1 May 2000 to 30 April 2002, will be submitted to the Pension Board in June 2002.

H. Offices away from Headquarters

1. United Nations Office at Geneva

(a) Audit of trust fund contributions

181. An audit of contributions to the United Nations Office at Geneva Trust Fund identified weaknesses in

critical internal controls to ensure the accuracy, completeness and timeliness of the recording and application of contributions. During the audit, OIOS issued a total of 21 recommendations, of which 15 were considered critical. OIOS considers the implementation of recommendations by the Office to be satisfactory (16 recommendations, or 76 per cent, were implemented). The Office has taken steps to reinforce controls, design in-house software to address certain deficiencies of IMIS Release 3, and increase the overall efficiency of the Trust Fund's contributions recording and reporting. OIOS noted a significant improvement in the preparation of bank reconciliations, in respect of both timeliness and accuracy: the six-month backlog was cleared and the number of items to be reconciled decreased. There has also been a significant improvement in the time required for recording and application of the deposits, from an average of 77 days in April 2000 when IMIS Release 3 was launched to 11 days in March 2001. The Office stated that it had to maintain the old accounting and treasury systems in parallel with IMIS Release 3 in order to service those organizations which had decided not to change to the new system.

(b) Audit of Publishing Service

182. In 1999, OIOS conducted an audit of the Publishing Service of the Conference Services Division of the United Nations Office at Geneva. OIOS issued 13 recommendations, of which 8 were considered critical. The Publishing Service has fully implemented six recommendations, including two critical ones, and partially implemented three other critical recommendations. The Service has also started implementing two of the critical recommendations, the completion of which is subject to the outcome of the 2002-2003 budget exercise.

183. OIOS considers the Office's implementation of its recommendations to be satisfactory. Based on the OIOS recommendations, the Publishing Service, inter alia, reorganized the Distribution Section and the Reproduction Section, thereby reducing the supervisor - employee ratio from 1:3 to 1:8; reclassified all the posts in the Distribution Section and Reproduction Section; and took steps to ensure that internal reproduction capacity was fully utilized before outsourcing print jobs. This resulted in savings of $1.2 million annually and a reduction of external printing by 14 million pages from the level in 1999, producing additional savings of $225,000 in 2000. In addition, the Service saved $110,000 per year by consolidating two sections.

2. United Nations Office at Nairobi

(a) Overall assessment

184. During the current reporting period, OIOS issued 16 critical audit recommendations, 3 of which have been implemented. The United Nations Office at Nairobi has accepted and is in the process of implementing the remaining 13 recommendations. Of these, 11 were issued in the second quarter of 2001. OIOS also issued eight critical investigation recommendations. The Office has completed the implementation of one of them. OIOS is awaiting the Office's reply to the other seven investigation recommendations.

(b) Audit of the Commercial Operations Unit

185. OIOS conducted an audit of the organizational, financial and administrative arrangements for the Office's commercial activities, including management of the gift shop, the commissary and the catering services operations. These activities constituted approximately $3 million of the $4.2 million turnover in commercial operations during 2000. OIOS concluded that the Office generally had not managed these commercial operations in a businesslike manner. There was little evidence of sound financial or administrative practices, and current arrangements for managing commercial operations needed to be reviewed and modified. The Office accepted these findings and was in the process of addressing ways to improve the situation. It advised OIOS that it was engaging a consultant to review the current modalities of these operations and to formulate an action plan for improving its management.

(c) Audit of the Human Resources Management Service

186. OIOS reviewed the effectiveness of recruitment, classification and staff administration activities. Overall, OIOS found that the responsibility and accountability for carrying out personnel functions on behalf of Habitat and UNEP, especially their offices away from headquarters, were not clearly defined or documented by the management of the respective offices. This was a problem that the Office recognized

and has taken steps to address. OIOS considered that recruitment was being carried out in accordance with United Nations rules and regulations but had concerns that adequate arrangements were not in place to support a transparent and client-oriented staff administration. The Office has begun to address the issue through the use of client satisfaction surveys and more user-friendly instructions to help staff comply with rules and regulations.

(d) Audit of the Financial Resources Management Service

187. OIOS conducted a review of all financial operations carried out at the United Nations Office at Nairobi. The review determined that the quality and usefulness of financial data generated had improved. Progress was being held up because the Office was still grappling with a number of issues relating to Legacy system data that it had taken over from UNEP and Habitat when it came into existence in 1996. Of particular concern was finding sufficient evidence to support a $2.7 million write-off in accounts receivable for UNEP in 1999. OIOS identified two key areas which the Office agreed would help it improve its effectiveness and efficiency: first interaction between the Financial Resources Management Service and its clients should be further developed to ensure that the services required by clients were understood and were formally documented; that there was a clear understanding of responsibilities; and that there were adequate mechanisms for providing clients with timely financial information.

188. Secondly, a set of operating procedures should be developed which as a minimum contained details of responsibilities for ensuring the accuracy and completeness of information. It should also include a description of computerized and manual controls that would support staff members in fulfilling their responsibilities. OIOS is awaiting the Office's response to this audit report.

(e) Presumptive fraud in staff entitlements

189. During the reporting period, OIOS investigated several cases of alleged presumptive fraud in staff entitlements such as rental subsidy, security grant, and medical and dental claims. Evidence obtained in each of these cases substantiated the allegations received. OIOS made several recommendations to the management of the Office, including that payments on outstanding claims should be denied; recoveries of the fraudulent overpayments should be initiated; and appropriate action should be taken against the staff members concerned.

(f) Education grant fraud by a former OIOS staff member

190. In 2000, as a result of a case of fraud discovered by the administration and following an initial inquiry by the Office's security section, OIOS investigated a former OIOS staff member stationed in Nairobi who had defrauded the Organization by submitting inflated education grant claims for 1998/99 and 1999/00. The staff member was at the time on secondment from his Government and held a two-year fixed term appointment, which was about to expire.

191. The investigation revealed that for his 1998/99 education grant claim, the staff member claimed that he had paid $1,800 for school bus transport for his two daughters, when in fact he had not done so. The investigation also disclosed that for his 1999/00 education grant claim, the staff member had attempted fraudulently to obtain $6,600 from the Organization by claiming school registration fees for which he had previously been reimbursed in his 1998/99 claim.

192. At the time the investigation was completed, he had left the Organization to return to work for his Government and was no longer a staff member. In view of this, no disciplinary action could be recommended. However, due to the seriousness of the matter, the relevant national authorities have been informed about the case.

(g) Status of audits requested by the General Assembly

193. The General Assembly, in its resolution 54/241 of 23 December 1999, requested the Secretary-General to report on the experiences gained from the use of resident auditors in peacekeeping missions and on the implications of the implementation of OIOS recommendations. OIOS prepared its contributions to the report (A/55/735), which was submitted to the General Assembly on 15 January 2001.

III
Report by functional office

A. Office of the Under-Secretary-General for Internal Oversight Services

194. The Office of the Under-Secretary-General continues to monitor the implementation of the OIOS work plan and the recommendations issued by its units. It is also responsible for the coordination of work with internal oversight bodies in other parts of the United Nations system to ensure adequate oversight coverage and to minimize duplication and overlap. The oversight bodies provide assistance to each other, share experiences and best practices and benefit from lessons learned. OIOS coordinates and cooperates with the Board of Auditors and the Joint Inspection Unit on a regular basis. The fourth tripartite meeting with those two partners was held in New York in November 2000.

195. To optimize the limited oversight resources of OIOS, the Under-Secretary-General has undertaken a strategic planning exercise to realign and improve OIOS programme activities. The OIOS planning team is working to enhance the value of the Office's services, image, training, internal communications and coordination, performance indicators and information technology. These projects have culminated in a strategic planning framework based on a coordinated annual work programme, client profiles, more useful semi-annual and annual reports, relevant indicators of achievements and baseline information, and enhanced OIOS professional internal oversight capacities.

196. The Office of the Under-Secretary-General coordinates the efforts of OIOS to enhance internal oversight mechanisms at operational funds and programmes, as mandated by the General Assembly. In the 1997 report of the Secretary-General (A/51/801), OIOS made suggestions on how to improve internal oversight at the funds and programmes. During the current reporting period, the Fifth Committee took up an updated version of the report of the Secretary-General on the subject (A/55/826), but the Committee has not yet concluded its deliberations. At its fifty-fifth session, the General Assembly decided to defer consideration of the updated report until its fifty-sixth session.

197. OIOS services to the operational funds and programmes, specifically investigations and audits, have necessitated the establishment of a reimbursement mechanism to cover costs incurred by OIOS. The United Nations Controller has approved the establishment of an account to take custody of cost reimbursements from funds and programmes. At the request of OIOS, the Secretary-General wrote to the heads of 13 funds and programmes in January 2001, requesting them to lend their support in establishing a reimbursement mechanism. OIOS is in the process of entering into a Memorandum of Understanding with each of the funds and programmes concerning the services provided.

198. OIOS requests and receives legal advice and assistance from the Office of Legal Affairs, as appropriate, with regard to various issues arising in the course of its oversight activities. In addition, OIOS participates regularly in the annual meetings of the heads of internal audit bodies of United Nations and multilateral financial institutions. The 32nd meeting of representatives of Internal Audit Services of United Nations Organizations and Multilateral Financial Institutions, hosted by OIOS, was held at Bangkok in June 2001. The next annual conference will be hosted by the United Nations Children's Fund (UNICEF).

B. Audit and Management Consulting Division

199. Audits conducted by the Division covered the activities of the Secretariat, including the Department of Public Information; technical cooperation projects implemented by the Department of Economic and Social Affairs; the Department of Peacekeeping Operations and selected peacekeeping missions, and the United Nations Office at Geneva; the United Nations Office at Nairobi and the United Nations Office at Vienna; Office for the Coordination of Humanitarian Affairs; UNHCR; ECA and ECLAC; UNDCP; UNEP; Habitat; the United Nations Compensation Commission; ICJ; ICTR; ITC and the United Nations Institute for Training and Research (UNITAR).

200. OIOS also reported to the General Assembly on audits by the Division of the following activities of the Department of Peacekeeping Operations: management

of civilian police operations, recruitment of civilian personnel for field missions and procurement reform; as well as the Office of Human Resources Management recruitment process. The work was guided by the OIOS annual and medium-term audit plans, which apply risk assessment formulas to the entire universe of United Nations entities audited by OIOS. This helps to ensure that all parts of the Organization are normally audited on a cycle of no more than four years, with high-risk operations being audited more frequently.

201. During the period under review, the Audit and Management Consulting Division began 101 audit assignments and issued 58 audit reports to senior management and 4 reports to the General Assembly. In addition, 112 audit observations were issued to OIOS clients at the operating levels. OIOS audits resulted in improvements in the administration and management of the United Nations Secretariat, its offices away from Headquarters and its funds and programmes, and contributed to enhancing the overall internal control environment in the Organization.

202. The Division issued a total of 1,072 audit recommendations during the reporting period. Of these, 341 were considered critical audit recommendations, and were distributed among the following functional areas:

Programme project management	27
Cash management	40
Personnel, payroll and travel	86
Financial accounting reporting	70
Procurement	40
Property management	15
Information technology systems	8
General administration and management	55
Total critical recommendations	**341**

203. The Division broadened its staff recognition programme, presenting awards to staff members in recognition of their performance and contributions to the goals of OIOS. The Division also continued its on-site audit training, focusing on technical skills development and individual training in areas such as computer applications and electronic media. Audit staff also attended conferences and seminars sponsored by professional associations to keep abreast of new developments in the public- and private-sector audit communities. Moreover, the Division organized the 32nd meeting of representatives of Internal Audit Services of United Nations Organizations and Multilateral Financial Institutions, held in the Conference Centre of the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok. The meeting, which was chaired by the Director of the Audit and Management Consulting Division, confirmed the need to strengthen cooperation and coordination among United Nations system oversight bodies to enable effective coverage for new and emerging programmes on issues such as HIV/AIDS which increasingly involve multi-agency approaches.

C. UNHCR Audit Section

204. In accordance with article 12 of the financial rules for the voluntary funds administered by the High Commissioner for Refugees, OIOS provides internal audit services for UNHCR under a Memorandum of Understanding. The Chief of the UNHCR Audit Section, who reports to the Under-Secretary-General for Internal Oversight Services, represents OIOS on the UNHCR Oversight Committee. The Geneva-based Section consists of 15 staff members, including 3 auditors in Abidjan and Nairobi who cover UNHCR operations in Africa. The Section conducted a total of 38 audits in line with the UNHCR internal audit plan. It issued 892 recommendations, including 124 critical recommendations.

205. In view of recurring findings concerning UNHCR projects implemented by international NGO partners, the Section initiated a multi-year programme of audit visits to the headquarters of the international NGOs that implement projects with annual expenditures of more than $2 million. With a view to obtaining an insight into the partners' organization and structure, systems, procedures and policies in the areas of finance, procurement, asset management and personnel, OIOS is able to assess and compare their policies and procedures and provide guidance and advice in certain areas to ensure compliance with UNHCR requirements. On the basis of such information, OIOS is developing NGO profiles for all major partners, which will allow benchmarking of implementing partners and will assist UNHCR in the selection of suitable partners.

206. The UNHCR Audit Section has been proactive in advising national NGOs and in assessing their potential to continue or to expand project implementation on behalf of UNHCR. OIOS regards this as a contribution to capacity-building of national NGOs. The Section continues to develop its audit methodology for identifying and assessing risk in order to formulate an effective and efficient audit strategy for the UNHCR Executive Committee. For compliance testing, checklists ensure consistency and timeliness in preparing each field audit and allow for benchmarking the level of compliance between offices.

207. The Board of Auditors reviewed the effectiveness of the Section's audit operations. The Board concluded that the Section's procedures formed a sound basis for planning and performance monitoring but that its reports should be issued in a more timely fashion. The Board recommended that a high-level summary report analysing the Section's main findings should be issued annually to the High Commissioner and, where appropriate, to the Executive Committee. It also recommended that additional guidance on performance auditing, especially effectiveness audits, should be developed and that the audit coverage of UNHCR's information technology should be augmented. OIOS is addressing the Board's recommendations. The Memorandum of Understanding between OIOS and UNHCR has already been revised in accordance with the Board's recommendations.

D. Central Monitoring and Inspection Unit

208. The Unit is responsible for conducting inspections of programmed activities and drafting the biennial programme performance report of the Secretary-General to the General Assembly, drawing conclusions about the implementation by client departments and offices of programmes against commitments in plans and budgets. Most clients use the Integrated Monitoring and Document Information System (IMDIS), an online reporting facility, to update information on the implementation status of their programmes. The Central Monitoring and Inspection Unit regularly reviews performance reporting to determine the rate of delivery, monitor changes and modifications and draw conclusions about the performance of each department/office. The reorientation of the proposed programme budget for 2002-2003 towards a results-based format and the addition of indicators of achievement to allow future measurement of performance in terms of accomplishments achieved, in compliance with General Assembly resolution 55/231 of 23 December 2000, will require OIOS to further develop existing standards of monitoring and evaluation and performance reporting.

209. During the period under review, the Unit conducted inspections of the Department of Economic and Social Affairs, the Department of General Assembly Affairs and Conference Services and the United Nations Office for Drug Control and Crime Prevention. The inspection of the Department of Economic and Social Affairs, while identifying areas needing improvement, concluded, among other things, that the consolidation of the three former departments into one had enabled greater coherence of policy and programme activities. The inspection of the Department of General Assembly Affairs and Conference Services showed that the streamlining of its technical support services had improved planning and the efficiency of services provided, but it recommended that the Department introduce a feedback mechanism, such as surveys, to further improve the overall quality of its services. The inspection of the United Nations Office for Drug Control and Crime Prevention pointed to a number of deficiencies in the management of the programme. The Office accepted all the OIOS recommendations.

E. Central Evaluation Unit

210. The Unit is responsible for conducting in-depth evaluations of programmes at the request of the Committee for Programme and Coordination and tracking the implementation of recommendations endorsed by the Committee. Reports on implementation are submitted to the Committee three years after its action on the in-depth evaluation. The Unit is also responsible for strengthening evaluation activities in the departments and offices of the United Nations worldwide.

211. In-depth evaluations of the population and sustainable development programmes were conducted during the reporting period and reports on them were submitted to the Committee for Programme and Coordination. The Committee endorsed all the recommendations of these in-depth evaluations at its forty-first session in June 2001. Triennial reviews of the implementation of recommendations endorsed as a

result of the in-depth evaluations in 1998 of the Unit ed Nations International Drug Control Programme, and the United Nations Crime Prevention and Criminal Justice Programme were also submitted to the Committee. These reviews are described in paragraphs 142 to 146 above.

212. A one-week workshop on evaluation methodologies was conducted in Geneva for staff of the Economic Commission for Europe in October 2000. During the reporting period, staff of the Central Evaluation Unit attended professional conferences in April and July 2001 to keep abreast of new developments in evaluation.

213. At its June 2001 session, the Committee for Programme and Coordination adopted the following schedule for future evaluations: 2002 — legal affairs (excluding ocean affairs and law of the sea); General Assembly and Economic and Social Council affairs and conference services; and Economic and Social Council support and coordination. 2003 — ocean affairs and law of the sea, and social development.

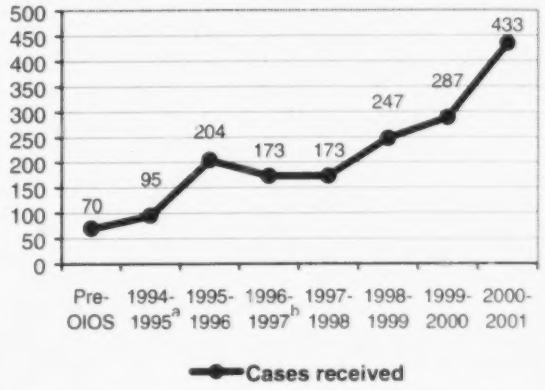
F. Investigations Section

214. During the reporting period, the Investigations Section issued 36 reports and communications to programme managers, containing 95 recommendations, compared with 35 reports issued in the previous reporting period. The Section's caseload increased by 51 per cent to 433, up from 287 received during the previous period. In total, the Section has received 1,682 investigation matters during the period from 7 September 1994 to 30 June 2001. As at 30 June 2001, the Section had 274 open cases, as compared with 194 open cases at the end of the previous reporting period.

215. During the reporting period, the Section's staffing level of 15 Professional and General Service staff in New York and Nairobi increased only by one post. For peacekeeping, however, the Department of Peacekeeping Operations funded the additional posts allowing the Section to recruit resident investigators for the investigation offices in Kosovo and East Timor. Two investigators from Headquarters were temporarily assigned to assist in establishing these offices and to conduct investigations at the missions. The Department of Peacekeeping Operations has also agreed to fund additional posts for the new office in the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC).

Chart 1

Incoming cases received during each of th e OIOS reporting periods

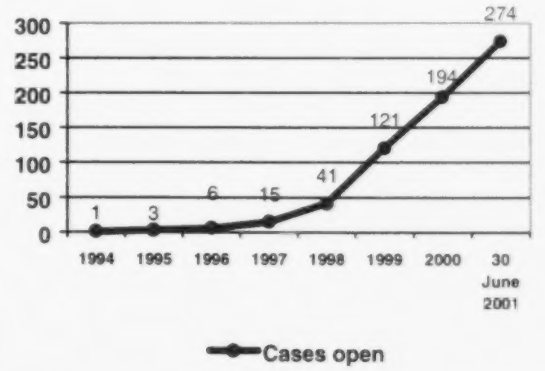


[a] Period reflects investigation matters received from 7 September 1994, the date of the establishment of OIOS to 30 June 1995.

[b] The decrease between reporting periods 1995-1996 and 1996-1997 is attributable to the decision that the Section would not handle personnel grievances, as the framework to address those issues already existed in the Organization.

Chart 2

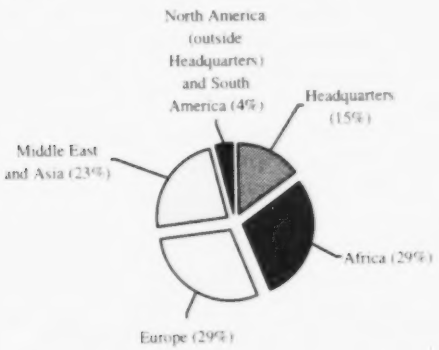
Cumulative backlog of the Investigations Section's caseload at the end of each reporting period



216. The geographic distribution of the 274 open cases as at 30 June 2001, which represents a 41 per cent increase over the previous reporting period, is shown in chart 3. The number of cases located away from Headquarters has increased. Since the inception of the Section, 75 per cent of the cases received were located away from Headquarters. During the current reporting

period, 85 per cent of cases received were located away from Headquarters.

Chart 3
Geographic distribution of open cases



Procedures

217. OIOS issued a report (A/55/469) in response to General Assembly resolution 54/244 of 23 December 1999 on the rules and procedures to be applied for the investigation functions performed by OIOS. The report describes the Section's responsibility for undertaking activities, with due regard to confidentiality, objectivity and fairness, to prevent and detect waste, misconduct, abuse and mismanagement in the operations of the United Nations. An investigation is an inquiry to determine whether a wrongful act has occurred, and if so, to identify those responsible so that corrective action can be taken. Because the findings must be based on evidence, such inquiry may also lead to the clearing of those who have been maliciously, or erroneously, accused. In the disciplinary process of the Organization, the investigative activity of the Section constitutes preliminary investigation activity in accordance with administrative instruction ST/AI/371.

218. At the conclusion of an investigation, the Section evaluates the evidence and provides a report to the concerned programme manager. The Section is a recommendatory body and cannot prosecute a case before national law-enforcement authorities, institute disciplinary proceedings or take administrative measures. When the Organization refers a case to national law-enforcement authorities for criminal investigation and possible prosecution, based on the Section's recommendations, the Section, in consultation with the Office of Legal Affairs and the programme manager concerned, assumes its designated role of liaison between the United Nations and the national authorities.

Training

219. Following a request from the Field Administration and Logistics Division, Department of Peacekeeping Operations, the Section organized, for the first time, a five-day training module in Jerusalem in June 2001 to enhance the investigative skills of security officers at various missions such as the United Nations Truce Supervision Organization (UNTSO), the United Nations Interim Force in Lebanon (UNIFIL) and the United Nations Disengagement Observer Force (UNDOF). The training covered legal issues and practical skills. This programme will be expanded in the next reporting period.

IV
Future plans

A. Work programme

220. OIOS is developing a consolidated annual work programme in coordination with its functional units and client departments and with the Board of Auditors and the Joint Inspection Unit, based on requests by the General Assembly, the Secretary-General and clients and the results of the OIOS st rategic planning exercise.

221. OIOS issued revised guidelines for the preparation of the Secretary-General's report on the programme performance of the United Nations for 2000-2001, due by the end of March 2002. The guidelines emphasize timely reporting, as required by Member States, and the need to provide clear and concise qualitative analyses and proper reporting of work-months utilized in the implementation of mandated programmes.

222. According to the schedule of evaluations adopted by the Committee for Programme and Coordination in June 2001, OIOS will undertake evaluations in 2002 of the Office of Legal Affairs, excluding ocean affairs and law of the sea, the Department of General Assembly Affairs and Conference Services and the Economic and Social Council. In 2003, evaluations will be undertaken on ocean affairs and law of the sea, and social development.

223. OIOS expects that additional investigations offices will be established in Geneva, the Democratic Republic of the Congo and at other peacekeeping missions during the next reporting period. With the additional offices, a greater amount of resources will be dedicated to investigation matters away from Headquarters.

224. The establishment of the client profile database is part of the OIOS effort to enhance transparency in the implementation of recommendations and to involve clients directly in that process. OIOS is also requesting client departments to provide input on their oversight needs and will incorporate this in the work programme to the extent possible.

B. Reorganization

225. As part of the strategic planning exercise, OIOS made a comprehensive internal review of all subprogrammes, including the functional and operational utility of merging the monitoring, inspection and evaluation functions. Over the years, the need for the Central Monitoring and Inspection Unit and the Central Evaluation Unit to coordinate their work plans has become apparent, and consolidating them will put in place the necessary cohesion between programme performance monitoring and programme evaluation. The merger would also allow for a more structured gathering of qualitative data in support of the outputs and activities implemented by departments/offices during a biennium. This would facilitate the preparation of programme performance reports that present both qualitative and quantitative aspects of the Organization's programme performance, as requested by the intergovernmental bodies.

226. The strategic planning exercise also led to the conclusion that functional synergy could be enhanced if the management consulting component of the Audit and Management Consulting Division were merged with the Central Monitoring and Inspection Unit and the Central Evaluation Unit. The consulting function would complement the monitoring, inspection and evaluation functions by partnering with OIOS clients to put in place efficient, innovative and benchmarked management practices in the implementation of programme activities. The functions would be consolidated in the Monitoring, Evaluation and Consulting Division. Consequently, in the forthcoming revisions to the medium-term plan for the period 2002 - 2005, OIOS has proposed the realignment of the internal oversight programme into three subprogrammes: (a) Audit; (b) Monitoring, evaluation and consulting; and (c) Investigations.

227. To cope with the increasing number of investigations, the Investigations subprogramme would be strengthened by seeking additional posts, establishing an investigations unit in Geneva and elevating the Investigations Section in New York to a division. Monitoring, evaluation and consulting would also be established in Geneva. Their presence would

enhance the oversight coverage of the various offices, funds and programmes in Geneva and Vienna.

228. An OIOS Geneva office is being established, headed by the Chief of the UNHCR Audit Service, grouping together all OIOS functional units there. Substantively, the various functional units of the office will report directly to the respective chiefs of division in New York. Similar structural arrangements are under consideration for Nairobi.

229. The increase in the investigations services and the restructuring of OIOS would significantly increase the workload and complexity of the responsibilities of the Office of the Under-Secretary-General and its programme support functions. As a result, the programme support provided by the Executive Office has been separated from the executive direction and management function, bringing the structure in line with the rest of the Secretariat.

V
Mandated reporting requirements

230. The categories of information to be included in OIOS annual reports were set out in paragraph 28 of Secretary-General's bulletin ST/SGB/273 of 7 September 1994. The required information is found in the present report as follows:

(a) A description of significant problems, abuses and deficiencies, and related OIOS recommendations (see chap. II);

(b) Recommendations not approved by the Secretary-General (none);

(c) Recommendations in previous reports on which corrective action has not been completed, or where management revised a decision from a previous period (see annex I);

(d) Recommendations on which agreement could not be reached with management, or where requested information or assistance was refused (none);

(e) The value of cost savings recommended and amounts recovered (see figures 5 and 6 following paras. 15 and 16 respectively).

Notes

[1] See *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 16* (A/56/16), chap. III.A, sect. 28, paras. 335, 337 and 341.

[2] Under Security Council resolution 986 (1995) and subsequent resolutions of the Council, Iraq was enabled to sell oil on the world market and use the proceeds to purchase humanitarian supplies. Resolution 986 (1995) also established the terms of reference for the Iraq Programme.

[3] In order to provide an accurate representation of the management of the process by the Office of Human Resources Management, the 1999 time line calculation eliminated steps not within the Office's control. To ensure a meaningful comparison, these steps were also eliminated from the 1996 calculation, thereby reducing the overall time line from 461 days to 388 days.

[4] *Official Records of the General Assembly, Fifty-second Year, Supplement No. 30* (A/52/30), para. 163.

Annex I

Critical recommendations in reports of the Office of Internal Oversight Services on which corrective action has not been completed

In paragraph 28 (d) of ST/SGB/273 of 7 September 1994, the Office of Internal Oversight Services (OIOS) was requested to identify in its annual report critical recommendations previously reported to the General Assembly for which corrective action had not been completed. The table below shows OIOS recommendations discussed in the two previous OIOS annual reports (A/54/393 and A/55/436) for which implementation was not completed by 30 June 2001.

OIOS function	*Addressee subject reference in previous annual reports*	*Status*
Audit	Department of General Assembly Affairs and Conference Services/ management of the United Nations conference centres in Bangkok and Addis Ababa A/54/393, paras. 113-115, and A/54/410, para. 51	OIOS recommended that the Central Planning and Coordination Service of the Department of General Assembly Affairs and Conference Services, in conjunction with the executive secretaries of the two regional commissions, should formulate a medium-term plan for the use of the conference centres in Bangkok and Addis Ababa as the venue for certain major United Nations events and meetings. OIOS was informed that, due to mandated policies and other considerations, it was not possible to move major United Nations meetings and conferences away from the duty stations of New York, Geneva and Vienna to locations such as Bangkok. OIOS is following up the matter with the Department of General Assembly Affairs and Conference Services.
Audit	Office of the United Nations High Commissioner for Human Rights/audit of OHCHR field support services A/55/436, paras. 86-88	The implementation of the OIOS recommendations for establishing systems for property control and consolidated reporting, and ensuring adequate information technology support of administrative and financial functions has not been completed by OHCHR. OIOS continues to monitor the implementation of these recommendations.
Audit	Office of the United Nations High Commissioner for Human Rights/ audit of OHCHR headquarters administration	OHCHR was still in the process of implementing the OIOS recommendations to: (a) create a full-time contract manager position to oversee outsourced support arrangements; (b) seek legal guidance to clarify which United Nations rules and regulations apply to funds managed on behalf of OHCHR by a contracted agency; and (c) negotiate with the United

OIOS function	*Addressee subject reference in previous annual reports*	*Status*
	A/55/436, paras. 90-93	Nations Controller concerning the application of a reduced support cost charge for funds managed by third parties. OIOS continues to monitor the implementation of these recommendations.
Audit	Office of the United Nations High Commissioner for Human Rights/ audit of OHCHR human rights operation in Colombia A/55/436, paras. 94-96	The OIOS recommendation for the OHCHR Management Board to negotiate a reduced support cost rate with UNOPS was pending implementation action by OHCHR. OIOS continues to monitor the status of this recommendation.

Annex II

Reports of the Office of Internal Oversight Services during the period from 1 July 2000 to 30 June 2001

A. Reports to the General Assembly

- Proactive investigation of the education grant entitlement (A/55/352)
- Investigation into the misdirection of contributions made by Member States to the United Nations Environment Programme Trust Fund account (A/55/353)
- Follow-up audit of the recruitment process in the Office of Human Resources Management (A/55/397)
- Rules and procedures to be applied for the investigation functions performed by the Office of Internal Oversight Services (A/55/469)
- Experiences learned from the use of resident auditors at peacekeeping missions (A/55/735)
- Follow-up audit of the implementation of procurement reform (A/55/746)
- Report on the inspection of the outcome of the consolidation of the three former economic and social departments into the Department of Economic and Social Affairs (A/55/750)
- Report of the Office of Internal Oversight Services into investigation into possible fee-splitting arrangements between defence counsel and indigent detainees at the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yu goslavia (A/55/759)
- Report of the Office of Internal Oversight Services on the inspection of the consolidation of technical support services in the Department of General Assembly Affairs and Conference Services (A/55/803)
- Management audit of United Nations civilian police operations (A/55/812)
- Enhancing the internal oversight mechanisms in operational funds and programmes, updated version (A/55/826)
- Report on the inspection of programme management and administrative practices in the Office for Drug Control and Crime Prevention (A/56/83)

B. Reports to the Committee for Programme and Coordination

- Enhancing the internal oversight mechanisms in operational funds and programmes (A/C.5/55/23)
- In-depth evaluation of sustainable development (E/AC.51/2001/2)
- In-depth evaluation of the population programme (E/AC.51/2001/3)
- Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-eighth session on the in-depth evaluation of the United Nations International Drug Control Programme (E/AC.51/2001/4)

- Triennial review of the implementation of the recommendations made by the Committee for Programme and Coordination at its thirty-eighth session on the in-depth evaluation of the United Nations Crime Prevention and Criminal Justice Programme (E/AC.51/2001/4)

C. Audit reports (departments/audit subject)

Department of Economic and Social Affairs	Departmental project CAF/97/011-CAF/91/C03, "Mise en valeur du secteur eau en République centrafricaine"
	Departmental project IRQ97003
	Departmental technical cooperation project LIR/97/008: "Promotion of Good Governance in Liberia"
	United Nations Centre for Regional Development in Nagoya, Japan — project INT/98/X70
Department of Management	Headquarters processing of inter-office vouchers through IMIS
	Contributions management system at United Nations Headquarters
	OIOS comments relating to KPMG Consulting report "Validation of Key UNOPS 2000/2001 Financial Parameters"
Department of Public Information	United Nations Information Centre, Tokyo
	Department of Public Information
Department of Peacekeeping Operations	United Nations Military Observer Group in India and Pakistan (UNMOGIP)
	United Nations Special Mission to Afghanistan (UNSMA)
	Death and disability benefits for service-related injuries
	Peacekeeping information technology effectiveness
	United Nations Mission for the Referendum in Western Sahara (MINURSO)
	Mission liquidation activities at Headquarters
	United Nations Observer Mission in Georgia (UNOMIG)

	United Nations Iraq-Kuwait Observation Mission (UNIKOM)
	United Nations Mission in Ethiopia and Eritrea (UNMEE)
	Recruitment policies and procedures in the Department of Peacekeeping Operations for international civilian staff
Economic Commission for Africa	ECA-North Africa Subregional Development Centre
	ECA payroll
	ECA East Africa Subregional Development Centre
	ECA Southern Africa Subregional Development Centre
Economic Commission for Latin America and the Caribbean	Secretariat of the Economic Commission for Latin America and the Caribbean
International Civil Service Commission	Education grant: flat rate for Commission boarding costs
International Criminal Tribunal for Rwanda	Personnel management at the International Criminal Tribunal in Rwanda
International Trade Centre	International Trade Centre publication activities
Office of the Iraq Programme	OIP/UNOHCI operations in northern Iraq: issues resulting from the audit of UNCHS settlements rehabilitation programme in northern Iraq
United Nations Compensation Commission	Claims payments and administration
	Procurement of consultancy services
United Nations Centre for Human Settlements	Regional Office for Africa and Arab States
	UNCHS north-west Somalia projects
	UNCHS settlement rehabilitation programme in northern Iraq
	Review of over-expenditures on Danida projects
United Nations Environment Programme	UNEP International Environmental Technology Centre
	Use of type II gratis personnel at the UNEP International Environment Technology Centre and Regional Coordinating Unit/East Asian Seas

	UNEP secretariat to Convention on the Conservation of Migratory Species of Wild Animals
	UNEP Economic and Trade Unit
	UNEP Chemicals Unit
	UNEP Ozone Secretariat
	UNEP Global Programme of Action Technical Coordination Office at The Hague
	UNEP Multilateral Fund Secretariat
	UNEP secretariat to the Convention on Biological Diversity
United Nations Institute for Training and Research	Audit of UNITAR
United Nations Joint Staff Pension Fund	Investment Management Service: Cash Management Section financial services
	Cash management: accounts and bank reconciliations
United Nations Office for Drug Control and Crime Prevention	UNDCP Project No. AD/KEN/99/E04: *Integration of Drug Abuse Prevention in Kenya* — Scouts Association reproductive health outreach project for adolescents and youth
United Nations Office at Geneva	Publishing Service
	Trust Fund contributions
United Nations Office at Nairobi	Human Resources Management Service
	Budget and Financial Resources Management Service
	Commercial Operations Unit
Office of the United Nations High Commissioner for Refugees	Operations in Turkmenistan
	Operations in the former Yugoslav Republic of Macedonia
	Operations in Uzbekistan
	Operations in north-west Somalia
	Operations in Albania
	Operations in Benin

UNHCR partnership with international non-governmental organizations

Operations in Tajikistan

Operations in Sierra Leone

Operations in New York

Operations in Swaziland

Financial reporting for earmarked contributions

Operations in Azerbaijan

Operations in Ethiopia

Operations in Mexico

Cross-border operations in Somalia

Operations in East Timor

Operations in the United Kingdom

Operations in Bulgaria

UNHCR implementing partners in Kosovo, Federal Republic of Yugoslavia

Operations in the Islamic Republic of Iran

Operations in Guinea

Operations in Eritrea

UNHCR payroll

Operations in the Republic of Moldova

Operations in Ukraine

Operations in the Sudan

Operations in Indonesia — Timor emergency

Private sector fund-raising

Operations in Kenya

Operations in Afghanistan

D. Investigation reports (department/investigation/subject)

Department of Economic and Social Affairs	Misconduct
Department of Management	Proactive investigation of education grant entitlement
Department of Peacekeeping Operations	Abuse of authority
	Waste of resources
	Mismanagement
	Misconduct (multiple reports)
Economic and Social Commission for Western Asia	Abuse of authority
International Criminal Tribunal for Rwanda	Fee-splitting between defence counsel and indigent detainees
International Seabed Authority	Misconduct
International Tribunal for the Former Yugoslavia	Fee-splitting between defence counsel and indigent detainees
Office of the United Nations High Commissioner for Human Rights	Abuse of authority and misconduct
Office of Internal Oversight Services	Misconduct
United Nations Centre for Human Settlements (Habitat)	Misconduct
	Mismanagement
United Nations International Drug Control Programme/Crime Prevention and Criminal Justice Programme	Mismanagement and misconduct
United Nations Development Programme	Misconduct
United Nations Office at Geneva	Misconduct
United Nations Office at Nairobi	Misconduct (multiple)